

IRSA INVESTMENTS & REPRESENTATIONS INC  
Form 20-F  
November 17, 2015

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SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549

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FORM 20-F

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REGISTRATION STATEMENT PURSUANT TO SECTION 12(b)(1) OF THE SECURITIES AND EXCHANGE ACT OF 1934

OR

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

For the fiscal year ended June 30, 2015

OR

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

OR

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

Date of event requiring this shell company report

From the transition period from \_\_\_\_\_ to \_\_\_\_\_

Comission file number 001-13542

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IRSA Inversiones y Representaciones

(Exact name of Registrant as specified in its charter)

IRSA Investments and Representations Inc.  
(Translation of registrant's name into English)

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Republic of Argentina  
(country of incorporation or organization)

Bolívar 108  
(C1066AAB)

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Buenos Aires, Argentina  
(Address of principal executive offices)

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Chief Financial Officer  
Tel +(5411) 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 Depository Shares, each representing ten shares of Common Stock	New York Stock Exchange
Common Stock, par value one Peso per share	New York Stock Exchange*

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

\*Not for trading, but only in connection with the registration of Global Depository 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, 2015 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 :  
 Yes  No

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.  Yes  No

If the registrant is not required to file reports pursuant to Section 13 or 15 (d) of the Securities Exchange Act of 1934.  
 Yes  No

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:  Yes  No

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).  Yes  No

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  Accelerated filer  Non-accelerated filer

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

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

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  Item 18

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).  Yes  No

IRSA INVERSIONES Y REPRESENTACIONES SOCIEDAD ANÓNIMA

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## DISCLOSURE REGARDING FORWARD-LOOKING INFORMATION

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 5. Operating and Financial Review and Prospects” and “Item 4. Information of the Company”. 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:

- changes in general economic, business, political, legal, social or other conditions in Argentina or elsewhere in Latin America or changes in either developed or emerging markets;
- changes in capital markets in general that may affect policies or attitudes toward lending to Argentina or Argentine companies;
- inflation;
- fluctuations in interest rates;
- current and future government regulation (including amendments to the Argentine Civil Code);
- adverse legal or regulatory disputes or proceedings;
- fluctuations and declines in the value of Argentine public debt;
- government intervention in the private sector, including through nationalization, expropriation, labor regulation or other actions;
- restrictions on transfer of foreign currencies;
- competition in the shopping center sector, office or other commercial properties and related industries;
- potential loss of significant tenants at our shopping centers;
- our ability to timely transact in the Argentine real estate market;
- our ability to meet our debt obligations;
- shifts in consumer purchasing habits and trends;
- technological changes and our potential inability to implement new technologies;
- deterioration in regional and national business and economic conditions in Argentina;
- fluctuations and declines in the exchange rate of the Peso;

- risks related to our investment in Israel; and
- the risk factors discussed under “Risk Factors” beginning on page 4.

The words “believe,” “may,” “will,” “aim,” “estimate,” “continue,” “anticipate,” “intend,” “expect,” “forecast,” “foresee,” “un-” similar words are intended to 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.

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 (m<sup>2</sup>), 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 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 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, 2015 and 2014 for our fiscal years ended June 30, 2015, 2014 and 2013 (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 accountants’ firm whose report is included herein.

Pursuant to Resolution N° 562/09 issued by the 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 the first time 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.





## 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 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, 2015, which was Ps. 9.088 = U.S.\$1.00. We make no representation that the Peso 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.

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## 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, 2015, 2014, 2013 and 2012, and the selected consolidated balance sheet data as of June 30, 2015 and 2014 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. The selected consolidated statements of income and comprehensive data for the year ended June 30, 2012 and the selected consolidated statements of financial position data as of June 30, 2013, 2012 and July 1, 2011 have been derived from our Audited Consolidated Financial Statements as of June, 30, 2013 which have been audited by Price Waterhouse & Co S.R.L. and are not included herein.

## Summary Consolidated Financial and Other Information for IRSA

	For the fiscal year ended June 30,				
	2015	2015	2014	2013	2012
	(in thousands of US\$) (ii)				
	(in thousands of Ps., except ratios and per common share data) (i)				
<b>Consolidated Statements of income</b>					
Income from sales, rents and services	276,785	2,515,421	2,108,874	1,592,890	1,297,183
Income from common maintenance expenses collected and collective promotion fund ("FPC")	97,624	887,208	736,302	594,290	493,133
Costs	(166,216 )	(1,510,574)	(1,354,493)	(1,087,611)	(858,658 )
Gross profit	208,193	1,892,055	1,490,683	1,099,569	931,658
Gain from disposal of investment properties	127,946	1,162,770	235,507	183,767	116,689
General and administrative expenses	(41,206 )	(374,481 )	(296,928 )	(194,841 )	(174,347 )
Selling expenses	(21,289 )	(193,470 )	(146,236 )	(106,125 )	(84,773 )
Other operating results, net	3,135	28,488	(45,870 )	93,268	(32,446 )
Profit from operations	276,779	2,515,362	1,237,156	1,075,638	756,781
	(112,551 )	(1,022,861)	(413,771 )	(7,391 )	11,660

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Share of (loss) /profit of associates and joint ventures					
Profit before financial results and income tax	164,228	1,492,501	823,385	1,068,247	768,441
Finance income	15,087	137,114	131,509	119,525	105,100
Finance cost	(121,828)	(1,107,173)	(1,726,875)	(772,412 )	(528,010 )
Other financial results	3,949	35,893	(123,903 )	14,695	(3,917 )
Financial results, net	(102,792 )	(934,166 )	(1,719,269)	(638,192 )	(426,827 )
Profit/ (loss) before income tax	61,436	558,335	(895,884 )	430,055	341,614
Income tax expense	(53,726 )	(488,266 )	64,267	(132,847 )	(116,938 )
Total profit/ (loss) for the year	7,710	70,069	(831,617 )	297,208	224,676

Attributable to:

Equity holders of the parent	(4,533 )	(41,193 )	(786,487 )	238,737	203,891
Non-controlling interest	12,243	111,262	(45,130 )	58,471	20,785

Profit per common share attributable to equity holders of the parent:

Basic	(0.01 )	(0.07 )	(1.37 )	0.41	0.35
Diluted	(0.01 )	(0.07 )	(1.37 )	0.41	0.35

Consolidated Statements of Comprehensive Income

Profit/ (loss) for the year	7,710	70,069	(831,617 )	297,208	224,676
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Other comprehensive income:

Items that may be reclassified subsequently to profit or loss:

Currency translation adjustment	(11,894 )	(108,097 )	442,844	56,799	14,682
Other comprehensive income for the year	(11,894 )	(108,097 )	442,844	56,799	14,682
Total other comprehensive income for the year	(4,184 )	(38,028 )	(388,773 )	354,007	239,358

Attributable to:

Equity holders of the parent	(18,206 )	(165,457 )	(438,332 )	287,926	218,393
Non-controlling interest	14,022	127,429	49,559	66,081	20,965

CASH FLOW DATA

Net cash generated from operating activities	91,757	833,888	1,021,979	863,373	691,882
Net cash used in investing activities	28,756	261,333	(917,120 )	(45,892 )	(246,776 )
Net cash used in financing activities	(152,914 )	(1,389,685)	(596,767 )	(306,268 )	(492,857 )

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	For the fiscal year ended					As of
	2015	2015	2014	2013	2012	July 1,
	(in thousands of US\$)(ii)					2011
	(in thousands of Ps. except ratios) (i)					
<b>Consolidated Statements of Financial Position</b>						
<b>ASSETS</b>						
<b>Non-current assets</b>						
Investment properties	384,031	3,490,077	3,269,595	3,983,266	3,265,962	3,330,817
Property, plant and equipment	26,753	243,134	220,013	212,673	228,033	235,245
Trading properties	14,096	128,104	130,657	94,464	83,148	71,915
Intangible assets	14,019	127,409	124,085	172,878	122,614	125,125
Investment in associates and joint ventures	280,694	2,550,946	2,260,805	1,423,936	1,445,815	1,373,215
Deferred income tax assets	5,811	52,810	368,641	85,236	34,255	17,903
<b>Income tax and Minimum Presumed Income Tax credit</b>						
Income tax credit	11,941	108,522	110,185	130,086	103,263	78,387
Restricted assets	-	-	-	10,881	-	-
Trade and other receivables	12,670	115,141	92,388	85,126	93,109	86,622
Investments in financial assets	77,300	702,503	274,716	267,455	655,660	432,676
Derivative financial instruments	22,712	206,407	-	21,208	18,434	60,442
<b>Total non-current assets</b>	<b>850,028</b>	<b>7,725,053</b>	<b>6,851,085</b>	<b>6,487,209</b>	<b>6,050,293</b>	<b>5,812,347</b>
<b>Current Assets</b>						
Trading properties	363	3,300	4,596	11,689	9,714	26,115
Inventories	2,506	22,770	16,963	16,321	15,659	6,820
Restricted assets	1,037	9,424	-	1,022	-	-
Income tax credit	2,092	19,009	15,866	-	-	-
Assets held for sale	-	-	1,357,866	-	-	-
Trade and other receivables	126,548	1,150,070	706,846	769,333	475,877	419,995
Investments in financial assets	32,505	295,409	234,107	244,053	78,909	65,076
Derivative financial instruments	3,208	29,158	12,870	-	-	-
Cash and cash equivalents	41,283	375,180	609,907	796,902	259,169	301,559
<b>Total Current Assets</b>	<b>209,542</b>	<b>1,904,320</b>	<b>2,959,021</b>	<b>1,839,320</b>	<b>839,328</b>	<b>819,565</b>
<b>TOTAL ASSETS</b>	<b>1,059,570</b>	<b>9,629,373</b>	<b>9,810,106</b>	<b>8,326,529</b>	<b>6,889,621</b>	<b>6,631,912</b>
<b>SHAREHOLDERS' EQUITY</b>						
Share capital	63,210	574,451	573,771	578,676	578,676	578,676
Treasury stock	465	4,225	4,905	-	-	-
Inflation adjustment of share capital and treasury stock	13,571	123,329	123,329	123,329	274,387	274,387
Share premium	87,271	793,123	793,123	793,123	793,123	793,123
Additional paid-in capital from treasury stock	796	7,233	-	-	-	-
Cost of treasury stock	(3,711)	(33,729)	(37,906)	-	-	-
Changes in non-controlling interest	(623)	(5,659)	(21,808)	(20,782)	(15,714)	-
Cumulative translation adjustment	30,223	274,667	398,931	50,776	14,502	-

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Reserve for share-based compensation	7,023	63,824	53,235	8,258	2,595	-
Legal reserve	12,857	116,840	116,840	85,140	71,136	57,031
Reserve for new developments	-	-	413,206	492,441	419,783	391,262
Special reserve	421	3,824	375,487	395,249	-	-
Retained earnings	(4,447 )	(40,414 )	(784,869 )	239,328	510,853	656,525
Equity attributable to equity holders of the parent	207,055	1,881,714	2,008,244	2,745,538	2,649,341	2,751,004
Non-controlling interest	41,444	376,644	548,352	385,151	390,428	331,609
<b>TOTAL SHAREHOLDERS' EQUITY</b>	<b>248,499</b>	<b>2,258,358</b>	<b>2,556,596</b>	<b>3,130,689</b>	<b>3,039,769</b>	<b>3,082,613</b>
<b>LIABILITIES</b>						
<b>Non-current liabilities</b>						
Trade and other payables	28,018	254,628	202,652	211,118	166,656	149,355
Borrowings	411,095	3,736,028	3,756,003	2,922,642	2,048,397	1,725,272
Derivative financial instruments	29,165	265,056	320,847	-	-	-
Deferred income tax liabilities	5,660	51,440	345,607	395,936	411,232	485,032
Payroll and social security liabilities	244	2,220	3,749	3,160	-	-
Provisions	41,166	374,121	205,228	57,737	17,823	12,881
<b>Total non-current liabilities</b>	<b>515,349</b>	<b>4,683,493</b>	<b>4,834,086</b>	<b>3,590,593</b>	<b>2,644,108</b>	<b>2,372,540</b>
<b>Current liabilities</b>						
Trade and other payables	98,591	895,996	678,725	677,010	492,243	402,751
Income tax and Minimum Presumed Income Tax liabilities	14,897	135,380	64,677	90,916	113,552	69,226
Liabilities held for sale	-	-	806,612	-	-	-
Salaries and social security liabilities	13,491	122,606	99,276	49,010	39,607	34,089
Derivative financial instruments	26,968	245,088	14,225	1,732	-	-
Borrowings	136,107	1,236,940	737,477	772,529	557,896	667,587
Provisions	5,668	51,512	18,432	14,050	2,446	3,106
<b>Total current liabilities</b>	<b>295,722</b>	<b>2,687,522</b>	<b>2,419,424</b>	<b>1,605,247</b>	<b>1,205,744</b>	<b>1,176,759</b>
<b>TOTAL LIABILITIES</b>	<b>811,071</b>	<b>7,371,015</b>	<b>7,253,510</b>	<b>5,195,840</b>	<b>3,849,852</b>	<b>3,549,299</b>
<b>TOTAL SHAREHOLDERS EQUITY AND LIABILITIES</b>	<b>1,059,570</b>	<b>9,629,373</b>	<b>9,810,106</b>	<b>8,326,529</b>	<b>6,889,621</b>	<b>6,631,912</b>

OTHER FINANCIAL DATA	2015 (in thousands of US\$) (ii)	2015 (in thousands of Ps., except ratios, per common share and per GDS data) (i)	2014	2013	2012
Basic net income per common share	(0.01 )	(0.07 )	(1.37 )	0.41	0.35
Diluted net income/(loss) per common share	(0.01 )	(0.07 )	(1.37 )	0.41	0.35
Basic net income/(loss) per GDS	(0.08 )	(0.72 )	(13.70 )	4.10	3.50
Diluted net income per GDS	(0.08 )	(0.71 )	(13.70 )	4.10	3.50
Diluted weighted – average number of common shares	573,779,206	573,779,206	575,932,689	578,676,460	578,676,460
Depreciation and amortization	19,287	175,281	225,819	220,021	168,877
Capital expenditures	58,573	532,308	318,375	920,874	133,877
Working capital	(86,180 )	(783,202 )	539,597	234,073	(366,416 )
Ratio of current assets to current liabilities	0.71	0.71	1.22	1.15	0.70
Ratio of shareholders' equity to total liabilities	0.31	0.31	0.35	0.60	0.79
Ratio of non current assets to total assets	0.80	0.80	0.70	0.78	0.88
Dividend paid	(7,614.44 )	(69,200 )	(113,251 )	(239,652 )	(262,724 )
Dividends per common share	(0.01 )	(0.12 )	(0.20 )	(0.41 )	(0.45 )
Dividends per GDS	(0.13 )	(1.20 )	(1.97 )	(4.14 )	(4.54 )
Number of common shares outstanding	574,450,945	574,450,945	573,771,763	578,676,460	578,676,460
Capital Stock	63,210	574,451	573,771	578,676	578,676

(i) In thousands of Pesos, except ratios. 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, 2015, which was Ps. 9.088 per US\$ 1.0. 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.

## Exchange Rates

In addition to the above measures, on February 8, 2002, the Central Bank issued strong restrictions which required the prior authorization of the Central Bank with respect to transfers of funds abroad for the purpose of servicing principal and/or interest payments on foreign indebtedness.

Since October 2011, the Argentine government has expanded the restrictions on access to the foreign exchange market and transfers of foreign currency abroad. Through a combination of foreign exchange and tax regulations, the Argentine authorities have significantly curtailed access to foreign exchange by individuals and private sector entities. Current foreign exchange regulations include, among others, the obligation to obtain prior approval by the Central Bank of certain foreign exchange transactions such as payments relating to royalties, services or fees payable to related parties of Argentine companies outside Argentina (pursuant to section 3.4 of Central Bank Communication “A” 5264, issued January 3, 2012, as amended and supplemented), the ability of individuals to purchase foreign currency, subject to the limits set forth by the Argentine tax authority, restrictions for legal entities to purchase foreign currency to create or increase portfolio investments outside of Argentina, and limits to the net position in foreign exchange holdings of financial institutions (pursuant to Central Bank Communication “A” 5611, issued on August 4, 2014).

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, 2011	4.0900	3.9110	3.9810	4.0900
Fiscal year ended June 30, 2012	4.5070	4.0900	4.2808	4.5070
Fiscal year ended June 30, 2013	5.3680	4.5050	4.8914	5.3680
Fiscal year ended June 30, 2014	8.0830	5.3700	6.7657	8.0830
Fiscal year ended June 30, 2015	9.0380	8.0850	8.5599	9.0380
July 2015	9.1400	9.0430	9.0934	9.1400
August 2015	9.2460	9.1450	9.1939	9.2460
September 2015	9.3720	9.2540	9.3167	9.3720
October 2015	9.4960	9.3800	9.4407	9.4960
November 2015 (through November 12, 2015)	9.5650	9.5050	9.5337	9.5650

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”.

(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 highest end-of-month exchange rate in the year or shorter period, as indicated.

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

Increases in Argentine inflation or devaluation and depreciation of the Peso could have a material adverse effect on our results.

## B. Capitalization and Indebtedness

This item is not applicable.

C. Reasons for the Offer and Use of Proceeds

This item 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 that are not presently known to us, or that we currently deem immaterial, which may adversely affect our business. In general, you take more risk when you invest in the securities of issuers in emerging markets such as Argentina than when you invest in the securities of issuers in the United States. You should understand that an investment in our common shares and Global Depositary Shares "GDS" involves a high degree of risk, including the possibility of loss of your entire investment.

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 and variable levels of inflation and currency devaluation.

During 2001 and 2002, Argentina experienced a period of severe political, economic and social crisis, which caused a significant economic contraction and led to radical changes in government policies. Among other consequences, the crisis resulted in Argentina defaulting on its foreign debt obligations, introducing emergency measures and numerous changes in economic policies that affected the utility companies and many other sectors of the economy, and suffering a significant devaluation of the Peso, which in turn caused numerous Argentine private sector debtors with foreign currency exposure to default on their outstanding debt. Although the economy has largely recovered from the crisis, during 2014, the Argentine economy has shown signs of slowdown due to the increase in the applicable exchange rates and decreases in commodity prices. The Argentine economy is suffering high inflation and has an increasing need of capital investment, with many sectors, particularly the energy sector, operating near full capacity.

An economic slowdown suggests uncertainty as to whether the economic growth experienced in the past decade may be sustainable. This is mainly because economic growth was initially dependent on a significant devaluation of the Argentine Peso, excess production capacity resulting from a long period of deep recession and high commodity prices. Furthermore, the economy has suffered 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 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 the “INDEC”) reported that Argentina’s GDP’s growth rate for 2013 was 3% and 0.5% for 2014. This decrease was principally due to the deceleration of the global economy and macroeconomic conditions in Argentina during 2014. As of July 31, 2015, the Monthly Economic Activity Estimator (Estimador Mensual de Actividad Económica, or the “EMAE”) increased 2.7%, 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. Deterioration of the country’s economy would likely have a significant adverse effect on our business, financial condition and results of operations.

Continuing inflation may have an adverse effect on the economy.

According to the INDEC, the consumer price index increased 23.9%, 10.9% and 10.8% in 2014, 2013 and 2012, respectively, and for the six months ended June 30, 2015, increased 15.0% relative to the same period the prior year. Uncertainty surrounding future inflation rates has slowed any potential recovery in the long-term credit market. Private estimates, on average, refer to annual rates of inflation substantially in excess of those published by the INDEC.

In the past, inflation has materially undermined the Argentine economy and the government’s ability to foster conditions that would permit stable growth. High inflation may also undermine Argentina’s foreign competitiveness in international markets and adversely affect economic activity and employment, as well as our business and results of operation. In particular, the margin on our services is impacted by the increase in our costs in providing those services, which is influenced by wage inflation in Argentina, as well as other factors. While certain of our tenant leases include provisions that allow us to agree with our tenants to periodical increases of the lease prices, there can be no assurance that these provisions will adequately protected us against rapid inflation.

High inflation would also adversely affect economic activity, employment, real salaries, consumption and interest rates. In addition, the dilution of the positive effects of the Peso devaluation on the export-oriented sectors of the Argentine economy will decrease the level of economic activity in the country. In turn, 5% of the Argentine debt is adjusted by the Reference Stabilization Coefficient (“Coeficiente de Estabilización de Referencia or the “CER”, as per its acronym in Spanish), a currency index that is strongly tied to inflation. Therefore, any significant increase in inflation would cause an increase in Argentina’s debt and, consequently, the country’s financial obligations.

The government has taken certain measures in order to control inflation, such as implementing a fair price program, by virtue of which supermarkets have to offer certain products at a government-determined price, and sectorial agreements in order to implement salary increases. Additionally, the Argentine government has recently enacted Law N° 26,991 (the “Supply Law”), which amends Law N° 20,680, and enables the federal government to intervene in certain markets when it considers that any party to such market is trying to impose prices, or supply restrictions over such market. The Supply Law provides among others pecuniary sanctions, suspension, seizure of operations, and confiscation of goods.

If inflation remains high or continues to rise, Argentina’s economy may be negatively impacted and our business could be adversely affected.

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

In January 2007, the INDEC modified its methodology used to calculate the consumer price index, which was calculated as the monthly average of a weighted basket of consumer goods and services that reflects 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 International Monetary Fund (“IMF”) requested to clarify its inflation rates several times.

On November 23, 2010, the Argentine government began consulting with the IMF for technical assistance in order to prepare a new national consumer price index with the aim of modernizing the current statistical system. During the first quarter of 2011, a team from the IMF started working in conjunction 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 issued by the INDEC since 2007. Consequently, the IMF called on Argentina to adopt measures to improve the quality of used data by the INDEC. In a meeting held on February 1, 2013, the Executive Board of the IMF emphasized that the progress in implementing remedial measures since September 2012 has not been sufficient. As a result, the IMF 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 (“Indice 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 to measure changes in prices of household goods for final consumption. While the previous price index only measured inflation in the Greater Buenos Aires, 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. The IMF declared that it was going to review later in 2014 Argentina’s reports on progress in revising its inflation and gross domestic product statistics. However, as of the date of this annual report, it is still being reviewed by the IMF. 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%. In 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 national consumer price index or GDP is inaccurate, or concludes that its methodology should be adjusted, that could result in financial and economic hazards for Argentina, including lack of financing from such organization. If these measures are adopted, 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.

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.

Argentina’s ability to obtain financing from international markets is limited, which may impair its ability to implement reforms and public policies and foster economic growth.

Argentina’s 2001 default and its failure to fully restructure its sovereign debt and negotiate with the holdout creditors has limited and may continue to limit Argentina’s ability to access international capital markets. In 2005, Argentina completed the restructuring of a substantial portion of its indebtedness and settled all of its debt with the IMF.

Additionally, in June 2010, Argentina completed the renegotiation of approximately 67% of the defaulted bonds that were not swapped in the 2005 restructuring. As a result of the 2005 and 2010 debt swaps, Argentina has restructured approximately 92.4% of its defaulted debt that was eligible for restructuring. Holdout creditors that declined to participate in the exchanges commenced numerous lawsuits against Argentina in several countries, including the United States, Italy, Germany, and Japan. Additionally, on May 29, 2014, the Argentine government and representatives of the Paris Club creditors reached an agreement to clear Argentina's debt due to the Paris Club creditors, in arrears, in the total amount of US\$9.7 billion as of April 30, 2014.

In related cases brought before the U.S. District Court for the Southern District of New York (the “District Court”), the plaintiffs argued that allowing Argentina to make payments under the new bonds issued pursuant to the debt swaps while it remained in default on its pre-2002 bonds violates the pari passu clause in the original bonds and entitles the plaintiffs to injunctive relief barring Argentina from making payments on the new bonds without making comparable payments on the original bonds. In late October 2012, the U.S. Court of Appeals for the Second Circuit in New York affirmed the District Court’s ruling that the pari passu clause in the pre-2002 bonds prevents Argentina from making payments unless it makes ratable payments to the holdout creditors at the same time. On November 21, 2012, the District Court specified that ratable payments to the holdout creditors would be the full amount owed on the bonds (including interest) and ordered Argentina to pay approximately US\$1.3 billion plus interest owed to the holdout creditors’ party to such proceedings.

On appeal, the U.S. Court of Appeals for the Second Circuit ordered Argentina to submit a payment plan proposal for the holdout creditors, which Argentina did on March 29, 2013. On August 23, 2013, the U.S. Court of Appeals for the Second Circuit rejected Argentina’s payment proposal and affirmed the District Court’s November 21, 2012 injunctions (the “Injunction”). However, in the same ruling, the U.S. Court of Appeals for the Second Circuit stayed the enforcement of the injunctions pending the resolution by the U.S. Supreme Court of any timely petition for a writ of certiorari. In this regard, Argentina filed a petition for a writ of certiorari on June 24, 2013, which was denied as premature. Later, on February 18, 2014, Argentina and certain holders of the new bonds timely filed petitions for a writ of certiorari. On June 16, 2014, the U.S. Supreme Court denied Argentina’s petition for a writ of certiorari in connection therewith and, subsequently, on June 18, 2014, the U.S. Court of Appeals for the Second Circuit lifted its stay on the District Court’s Injunction. Separately, on June 16, 2014, the U.S. Supreme Court affirmed a District Court ruling to compel discovery from certain financial institutions concerning, among other things, Argentina’s assets.

On June 23, 2014, the District Court appointed a special master to mediate settlement negotiations between Argentina and the litigating bondholders. On June 26, 2014, the District Court denied Argentina’s request for a further stay of the Injunction. In addition, on or about June 27, 2014, Argentina transferred to The Bank of New York Mellon, in its capacity as trustee, amounts due June 30, 2014 in respect of certain of its restructured bonds. The District Court, however, prohibited such payment and ordered Argentina and the holders of its non-restructured bonds to agree on a payment schedule. Following negotiations between Argentina and the litigating bondholders, Argentina and such bondholders failed to reach an agreement in respect of its defaulted debt. By July 30, 2014, the end of the grace period provided under Argentina’s relevant restructured bonds for the payment of debt service thereunder, Argentina and the holdout creditors had not arrived on an agreement and The Bank of New York Mellon complied with the order of the District Court to not deliver the funds previously deposited by Argentina for payment to the holders of the restructured bonds under foreign law. While Argentina asserted that it complied with its obligation to the holders of the restructured bonds by making such deposit, and that the indenture trustee had the obligation to deliver such payment, on such date Standard & Poor’s Rating Services downgraded Argentina’s foreign currency credit rating to “selective default”, or “SD”, while on July 31, 2014, Fitch Ratings Inc. downgraded Argentina’s foreign currency issuer default rating to “restricted default”, or “RD”.

On September 11, 2014, the Argentine Congress enacted Law N° 26,984, with the purpose of implementing legal mechanisms to allow restructured bondholders to collect payments under such bonds. Law N° 26,984 established a new account in the name of Nación Fideicomisos S.A. with the Central Bank in order to make payments to restructured bondholders. Furthermore, Law N° 26,984 set forth that the executive branch could implement an exchange of restructured bonds for Argentine law-governed bonds and for French law-governed bonds. As of the date of this annual report, no such mechanism has been implemented by the Argentine government. Separately, during August 2014 the Central Bank revoked The Bank of New York Mellon’s authorization to operate in Argentina. In connection with these and other actions taken by the Argentine government, the District Court held Argentina in contempt on September 29, 2014.

The District Court authorized limited exceptions to the Injunction allowing certain custodians of Argentine law-governed bonds to process payments in August 2014, September 2014 and December 2014. Payments on the remaining restructured bonds have not been processed as a consequence of the Injunction and various restructured bondholders have been seeking the release of such payments in court. As of the date of this annual report, the District Court has not authorized any other such releases or payments.

On January 2, 2015, Argentina deposited, for the benefit of the restructured bondholders, approximately US\$1,000 million corresponding to the payment dated December 31, 2014. In addition, the Argentine government deposited US\$539 million in Nación Fideicomisos S.A. to service interest of certain restructured bonds under foreign legislation and another amount reserved for payment to the holdouts, frozen as of the date of this annual report, as ordered by the District Court, in the accounts of Bank of New York in the Central Bank. At the date of this annual report, the consequences of the passage of the new sovereign payments law or the development and the effects of the NML Capital case could have on our business and operations are not clear.

The Argentine government successfully appealed such decision, and on August 10, 2015, the U.S. Court of Appeals for the Second Circuit stated that the District Court had improperly expanded a class of bondholders who were seeking repayment following the 2002 default; stating that the District Court must return to a narrower definition of class, limited to those who have continuously held the eight series of bonds in question, and to hold a hearing to determine the proper amount of damages.

In addition, the District Court stated in another ruling that he considers all Argentine government assets in the United States, except for diplomatic and military, as commercial assets which NML Capital could try to seize. This decision have allowed the funds to request for the attachment of these assets, which have fallen specially on the Central Bank, Banco de la Nación Argentina, bank accounts of certain embassies, the Aquarius SAC-D satellite and the Frigate Libertad , among other assets. Meanwhile, Argentina's lawyers and officials believe and argue that there are only diplomatic assets protected by sovereign immunity. In this context, the District Court ordered Argentina to provide information about assets in the United States within ten days and said that if the country holds assets which have no diplomatic or military purposes; they can be attached, being considered "commercial use".

On August 31, 2015 the Argentine government won an appeals court ruling. Such ruling denied a motion to dismiss for lack of subject matter jurisdiction filed by the Central Bank, stating that the District Court erred in: (1) imputing the Argentine government's waiver of sovereign immunity to the Central Bank based on an alter ego theory; and (2) applying the commercial activity exception to Central Bank's use of its account with the Federal Reserve Bank of New York. Accordingly, the U.S. Court of Appeals for the Second Circuit reversed the District Court's order of September 26, 2013, and remands the cause with instructions to dismiss the complaint on sovereign immunity grounds.

Also, on September 16, 2015, the Argentine government won an additional appeals court ruling, which noted that defining a precise class to which Argentina owes damages for refusing to pay bondholders and calculating those damages have been "exasperating tasks," stating that "Judge Thomas P. Griesa was making it too easy for some plaintiffs by creating a class including bondholders who were not the original purchasers of the bonds", while objective criteria may be necessary to define an ascertainable class, it cannot be the case that any objective criterion will do."

The continuation and outcome of this litigation may continue to prevent Argentina from obtaining favorable terms or interest rates when accessing international capital markets. Litigation initiated by holdout creditors or other parties may result in material judgments against the Argentine government and could result in attachments of, or injunctions relating to, Argentina's assets, which could have a material adverse effect on the country's economy and affect our ability to access international financing. In addition, litigation initiated by holdouts could eventually bring Argentina to be considered in default of its obligations and cause acceleration of the existing exchange debt due to cross default clauses which could have a material adverse effect on the on the country's economy, and consequently, our business, financial condition and results of operations.



Argentina is subject to litigation by foreign shareholders of Argentine companies and holders of Argentina's defaulted bonds, which have resulted and may result in adverse judgments or injunctions against Argentina's assets and limit its financial resources.

Foreign shareholders of several Argentine companies, including public utilities, and bondholders that did not participate in the exchange offers described above, have filed claims in excess of US\$20 billion in the aggregate with the International Centre for Settlement of Investment Disputes (the "ICSID") alleging that the emergency measures adopted by the government differ from the just and equal treatment standards set forth in several bilateral investment treaties to which Argentina is a party. During 2013, Argentina agreed to settle five separate investment treaty arbitration claims at a cost of around US\$500 million. As of December 31, 2014, there were ICSID judgments outstanding against Argentina for approximately US\$64 million, plus interest and expenses. On April 9, 2015, the ICSID held that Argentina must pay US\$405 million in damages for prejudices suffered in relation to the termination of the Aguas Argentinas S.A. water and waste water management concession contract in the Buenos Aires metropolitan area. Litigation, as well as ICSID and UNCITRAL claims against the Argentine government, have resulted in material judgments and may result in new material judgments against the government, and could result in attachments of or injunctions relating to assets of Argentina that the government intended for other uses. As a result, the Argentine government may not have all the necessary financial resources to honor its obligations, implement reforms and foster growth, which could have a material adverse effect on the country's economy, and consequently, our business, financial condition and results of operations.

The amendment of the Central Bank's Charter and the Convertibility Law may adversely affect the Argentine economy.

On March 22, 2012, the Argentine Congress passed Law N° 26,739, which amended the charter of the Central Bank and Law N° 23,298 (the "Convertibility Law"). See "Argentina's ability to obtain financing from international markets is limited, which may impair its ability to implement reforms and foster economic growth" above. This new law amends the objectives of the Central Bank (established in its charter) and removes certain provisions previously in force. Pursuant to the amendment, the Central Bank focuses on promoting monetary and financial stability as well as development with social equity.

A key component of the amendment of the Central Bank charter relates to the use of international reserves. Pursuant to this amendment, the Central Bank reserves may be made available to the government for the repayment of debt or to finance public expenses. During 2013, the currency reserves in U.S. Dollars held by the Argentine government in the Central Bank decreased significantly, from US\$43.3 billion in 2012 to US\$30.6 billion in 2013, while during 2014 the reserves increased slightly to US\$31.4 billion as of December 31, 2014. The Central Bank's stock of foreign currency reserves was US\$33.9 billion as of June 30, 2015 and after the payment of the sovereign bond, BODEN 15, on October 3, 2015, the stock of foreign currency reserves was US\$ 27.7 billion. This use of the Central Bank reserves for expanded purposes by the Argentine government may result in Argentina being more vulnerable to inflation or external shocks, affecting the country's capacity to overcome the effects of an external crisis.

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

The devaluation of the Peso has had a negative impact on the ability of Argentine businesses to honor their foreign currency-denominated debt, initially led to very high inflation, significantly reduced real wages, had a negative impact on businesses whose success is dependent on domestic market demand, such as utilities and the financial industry, and adversely affected the government's ability to honor its foreign debt obligations.

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 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 devalue, 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 Peso devaluation 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.

During recent years, 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, among others; 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; delays or denials of governmental approvals, among others.

In November 2008, the Argentine government enacted Law N° 26,425 which provided for the nationalization of the Administradoras de Fondos de Jubilaciones y Pensiones (the "AFJPs"). 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 N° 26,741 and Decree N° 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 N° 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 injunction is still effective and the effects of the Decree N° 2552/12 remain blocked as of the date hereof. The Argentine government filed a motion to revoke the injunction 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 as of the date of this annual report has not been resolved. The Decree N° 2552/12 may indirectly affect our 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 N° 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 intend to file shortly an administrative appeal in order to request the dismissal of the revocation of the agreement. 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.

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.

Argentine presidential, congressional and certain municipal and state government elections are to be held in October 2015. Uncertainty resulting from the election campaigns regarding the results of the elections, or as a result of uncertainty as to whether the new Argentine government will implement changes in policy or regulation, may adversely affect the Argentine economy. The President of Argentina and its 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 Argentine government after such elections 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 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 year ended December 31, 2014, various unions have agreed with employers' associations on salary increases between 25% and 30%. It is possible that the Argentine government could adopt measures mandating salary increases and/or the provision of additional employee benefits in the future. Any such measures could have a material and adverse effect on our business, results of operations and financial condition.

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 our current prices. 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. Among the restrictions that are still in effect are those relating to the repatriation of certain funds collected in Argentina by non-Argentine residents.

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 company's 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.

Although the transfer of funds abroad by local companies in order 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, the recent decrease in availability of U.S. Dollars in Argentina has led the Argentine government to impose 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 "MULC") for the purpose of making payments abroad, such as dividends, capital reductions, and payment for importation of goods and services. For example, local banks may request, even when not expressly required by any regulation, the prior opinion of the Central Bank before executing any specific foreign exchange transaction. In addition, other exchange controls could impair or prevent the conversion of anticipated dividends, distributions or the proceeds from any sale of equity holdings in Argentina, as the case may be, from Argentine Pesos into U.S. Dollars and the remittance of the U.S. Dollars abroad.

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 GDSs in U.S. Dollars.

Also, if payments cannot be made in U.S. Dollars abroad, the repatriation of any funds collected by foreign investors in Argentine Pesos in Argentina may be subject to restrictions. From October 28, 2011, in order for a non-Argentine investor to be granted access to the MULC to purchase foreign currency with Argentine Pesos received in Argentina as a result of a stock sale, capital reduction or liquidation of an Argentine company, it is a requirement that the funds originally used for such investment, disbursement or capital contribution, as applicable, were settled through the MULC. This requirement applies only to capital contributions to local companies or foreign currency purchases of the stock of an Argentine company made from October 28, 2011 that qualify as "foreign direct investments" (i.e., represent at least 10% of the Argentine company's capital stock). In the case of equity positions below the 10% threshold, repatriation is subject to a monthly threshold of US\$0.5 million. Transfers in excess of that monthly threshold are subject to prior approval by the Central Bank. The Argentine government could adopt further restrictive measures in the future. If that were the case, a foreign shareholder, such as ourselves, may be prevented from converting the Argentine Pesos it receives in Argentina into U.S. Dollars. If the exchange rate fluctuates significantly during a time when we cannot convert the foreign currency, we may lose some or all of the value of the dividend distribution or sale proceeds.

These restrictions and requirements could adversely affect our financial condition and the results of our operations.

Exchange controls and restrictions on transfers abroad and capital inflow restrictions have limited, and can be expected to continue to limit, the availability of international credit.

In 2001 and 2002, Argentina imposed exchange controls and transfer restrictions substantially limiting the ability of companies to retain foreign currency or make payments abroad. In June 2005, the government issued Decree N° 616/2005, which established additional controls on capital inflow, including the requirement that, subject to limited exemptions, 30% of all funds remitted to Argentina remain deposited in a domestic financial institution for one year without earning any interest. In October 2011, new exchange controls measures that restrict foreign exchange inflows and outflows of capital were implemented, including, establishing as a requirement for the repatriation of the direct investment of non-residents (purchase of shares of local companies and real estate), the inflow of foreign currency and its settlement in the MULC. This measure increases the cost of obtaining foreign funds and limits access to such financing.

Additionally, on July 12, 2012, the Central Bank issued Communication "A" 5318, which among others suspended the access to MULC for residents for external assets without a specific purpose.

Through resolution N°. 3210/2011 of the AFIP and the Communications "A" 5239, 5240, 5242 and 5245 and its amendments of the Central Bank, the "Consultation of Exchange Operations Programme", was established, a system by which an assessment is made at the time of each transaction, in order to allow for acquiring U.S. Dollars for tourism purposes. The system analyzes the transaction for consistency with each currency buyer's tax information, and validates or invalidates the transaction.

In January 2014, the Central Bank established by Communication "A" 5526 that resident individuals in the country will be able to access the local exchange market for purchases made in line with the "buy for the possession of foreign currency in the country" concept according to their income declared to the AFIP and other quantitative parameters established in the framework of exchange rate policy. In this sense, the AFIP established through its General Resolution N° 3583/2014 a parameter of 20% of the monthly income of the taxpayer validating the exchange transaction, with a minimum amount of monthly income of two minimum mobile wages and a monthly cap of US\$2,000. The purchase amount that individuals can access under this provision can be found through the "Exchange Operations Consultation Program", available on the corporate website of the AFIP.

Additionally, on May 21, 2015 pursuant to Communication "A" 5757, the Central Bank amended Communication "A" 5526, which regulates residents' access to the MULC for the acquisition of foreign currency for their application to specific uses and/or purposes in local assets. The amendment permits simultaneous access to the MULC for the acquisition of foreign currency for its deposit in local financial institutions up to an amount agreed with the MULC for a term no higher than 270 calendar days, deriving from the issuance of new debt securities with public offering issued by local governments and/or residents of the non-financial private sector. Such funds can only be allocated for their deposit in local financial institutions as a fixed-term deposit, or in a special account in foreign currency, which can be withdrawn only for its settlement through the MULC. These funds are exempt from the mandatory deposit of 30% imposed by Decree N° 616/2005. At least 80% of residents' foreign currency demands of residents must be covered by the funds obtained from this mechanism for specific purposes in local assets.

The Argentine government may, in the future, impose additional controls on the foreign exchange market and on capital flows from and into Argentina, in response to capital flight or depreciation of the Peso. These restrictions may have a negative effect on the economy and on our business if imposed in an economic environment where access to local capital is constrained. For more information, please see "Exchange Rates and Exchange Controls".

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

Financial and securities markets in Argentina are influenced, to varying degrees, by economic and market conditions in other global markets. The international scenario shows contradictory signals of global growth, as well as high financial and exchange uncertainty. Most emerging economies have been affected by the change in the U.S. monetary policy, resulting in the sharp unwinding of speculative asset positions, depreciations and increased volatility in the value of their currencies and higher interest rates. The general appreciation of the U.S. Dollar resulting from a more restrictive U.S. monetary policy contributed to the fall of the international price of raw materials, increasing the difficulties of emerging countries which are exporters of these products. There is global uncertainty about the degree of economic recovery in the United States, with no substantial positive signals from other developed countries and an increased risk of a general deceleration in developing countries, specifically China.

Moreover, the recent challenges faced by the European Union to stabilize certain of its member economies, such as Greece, have had international implications affecting the stability of global financial markets, which has hindered economies worldwide. The Eurozone finance ministers, at a meeting held in August 2015, agreed a third bailout deal for Greece, which required the approval of several countries such as Germany, one of its main creditors.

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. The Argentine economy was adversely impacted by the political and economic events that occurred in several emerging economies in the 1990s, including those in Mexico in 1994, the collapse of several Asian economies between 1997 and 1998, the economic crisis in Russia in 1998 and the Brazilian devaluation in January 1999.

In addition, Argentina is also affected by the economic conditions of its major trade partners, Brazil, which started to devalue its currency in early February 2015, the Real devalued against the U.S. Dollars by approximately 46% from January 2015 to September 2015, causing the Real to suffer the steepest depreciation in over a decade in its attempt to increase exports; in addition, during September 2015, Standard & Poor's downgraded Brazil's credit rating to BB-plus and during October 2015, Fitch Ratings downgraded Brazil's credit rating to 'BBB. Moreover, Argentina may also be affected by other countries that have influence over world economic cycles, such as the United States or China. Particularly, China has recently devaluated the Yuan, which has adversely affected companies with a substantial exposure to that country.

If interest rates rise significantly in developed economies, including the United States, Argentina and other emerging market economies could find it more difficult and expensive to borrow capital and refinance existing debt, which would negatively affect their economic growth. In addition, if these developing countries, which are also Argentina's trade partners, fall into a recession; the Argentine economy would be affected by a decrease in exports. All of these factors would have a negative impact on us, our business, operations, financial condition and prospects.

The effect of global economic conditions on Argentina could cause a reduction in exports and foreign direct investment, and a decline in national tax revenues and the inability to access to the international capital markets, which could adversely affect our business 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.

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, available 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, demand for natural gas and electricity has increased substantially, driven by a recovery in economic conditions and 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 the shortages in local production. In order to pay for natural gas imports, the Argentine government has frequently used the Central Bank reserves due to 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 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 to 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. As a result, energy costs increased significantly, which could substantially and adversely affect the Argentine economy, as well as our business operations and results of our transaction.

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

During the last few 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", per its acronym in Spanish) to source part of its funding requirements.

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 due to 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:

- decline in our lease prices or increases in levels of default by our tenants due to recessions, increases in interest rates and other factors that we cannot control;
- the accessibility and the attractiveness of the area where the shopping center is located;
  - the intrinsic attractiveness of the shopping center;
- the flow of people and the level of sales of each shopping center rental unit;
- increasing competition from internet sales;
- the amount of rent collected from each shopping center rental unit;
- changes in consumer demand and availability of consumer credit (considering the limits imposed by the Central Bank to interest rates charged by financial institutions), both of which are highly sensitive to general macroeconomic conditions; and
- 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 to the economy in which customers are located. All of our shopping centers are 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 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:

- downturns in the national, regional and local economic climate;
- volatility and decline in discretionary spending;
- 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 which are generally not reduced when circumstances cause a reduction in revenues from a property;
- 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
- interpretation by judges of the New Civil Code (in force from August 1, 2015).

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 have a significant adverse impact on our results of operations and business prospects.

The success of our business and profitability of our operations are dependent on continued investment in the real estate markets and access to capital and debt financing. A long term crisis of confidence in real estate investments and lack of credit for acquisitions may tend to constrain our business growth. As part of our business goals, we intend to

increase our properties portfolio with 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.

The loss of significant tenants could adversely affect both the operating revenues and value of our properties.

If certain of our most important tenants were to experience financial difficulties, including bankruptcy, insolvency or a general downturn of business, or if we simply failed to retain their patronage, our business could be adversely affected. Our shopping centers are typically anchored by significant tenants, such as well-known department stores who generate shopping traffic at the mall. Further, certain tenants are also very important for our office buildings. A decision by such significant tenants to cease operations at our shopping centers or our office buildings, as applicable, could have a material adverse effect on the revenues and profitability of the affected segment and, by extension, on our financial condition and results of our operations. In addition, the closing of one or more significant tenants at our shopping centers may induce other major tenants at an affected property to terminate their leases, to seek rent relief and/or cease operating their stores or otherwise adversely affect occupancy at the property. Moreover, key tenants at one or more properties might terminate their leases as a result of mergers, acquisitions, consolidations, dispositions or bankruptcies. The bankruptcy and/or closure of one or more significant tenants, if we are not able to successfully re-lease the affected space, could have a material adverse effect on both the operating revenues and underlying value of the properties involved.

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:

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

- liabilities for clean-up of undisclosed environmental contamination;
- law reforms and governmental regulations (such as those governing usage, zoning and real property taxes); and
- 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, or any of our major tenants (as discussed in more detail below):

- 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”), 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. 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 to include 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, by means of the Law N° 26,994, the Argentine Congress sanctioned a new Civil and Commercial Code (the “Civil and Commercial Code”) which although wasn’t effective as of June 30, 2015, is in force since August 1, 2015, and is currently applicable to our leases. The Civil and Commercial Code derogates Law N° 23,091 on Urban Leases, which amends certain important matters in the current law in connection with leases, such as including a minimum term of two years, and a maximum term of twenty years for residential leases and of fifty years for other purpose 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; provided however that 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 set forth that this regulation regarding foreign currency can be left aside by the parties to an agreement, it is still too early to determine whether or not this legal provision can be left 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 former Argentine Civil Code, 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 the latent defects, even when those defects did not imply significant property damage. In addition, according to the former Argentine Civil Code, 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 to those included in the former Argentine Civil Code 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 any given project. According to the Civil and Commercial Code, the warranty period for latent defects expires after three years of the client taking 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.

We have usually attempted 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.

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;
- pre-construction buyers may default on their purchase contracts or units in new buildings may remain unsold upon completion of construction;
- the unavailability of favorable financing alternatives in the private and public debt markets;
- sale prices for residential units may be insufficient to cover development costs;
- construction and lease-up may not be completed on schedule, resulting in increased debt service expense and construction costs;
  - impossibility to obtain or delays in obtaining necessary zoning, land-use, building, occupancy and other required governmental permits and authorizations, or building moratoria and anti-growth legislation;
- significant time lags between the commencement and completion of projects subjects us to greater risks due to fluctuation in the general economy;
- 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;
- general changes in our tenants' demand for rental properties; and
- 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 N° 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 (in particular due to the acquisition of the office buildings in December 2014) 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.

All of our shopping center properties are located in Argentina. 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.

Demand for our premium properties may not be sufficient.

We have focused on development projects to cater 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 in 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, 2015, our consolidated financial debt amounted to Ps. 4,983.8 million (including accrued and unpaid interest and deferred financing costs). We cannot assure you that we will have sufficient cash flows and adequate financial capacity in the future.

The fact that we are leveraged may affect our ability to refinance existing debt or borrow additional funds to finance working capital, 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 (including the notes) 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.

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 international credit crisis in 2009 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 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:

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

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 the holders that the 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.

The shift of consumers to purchasing goods over the Internet may negatively affect sales in our shopping centers.

In recent years, retail sales by means of the Internet have grown significantly in Argentina, even though the market share of Internet sales related to retail sales is still not significant. 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 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.

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

For the fiscal year ended June 30, 2015, 70.9% of our sales from leases and services were derived from shopping centers in the City of Buenos Aires and the Greater Buenos Aires. In addition, all of our office buildings are located in the City of Buenos Aires and a substantial portion of our revenues are now 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 very 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. Our dependence on rental income may adversely affect our ability to meet our debt obligations

We face risks associated with the expansion to other Latin American markets.

From 1994 to 2002, we had substantial investments outside Argentina, including Brazil Realty, which was sold in 2002, and Fondo de Valores Inmobiliarios in Venezuela, which was sold in 2001.

We continue to believe that Brazil, Uruguay and other Latin American countries offer attractive growth opportunities in the real estate sector. We will continue to consider investment opportunities outside of Argentina as they arise.

Investments in Brazil and other Latin American countries are subject to significant risks including sovereign risks and risks affecting these countries' real estate sectors. These risks include competition by well-established as well as new developers, unavailability of financing or financing on terms that are not acceptable to us, exchange rate fluctuations, lack of liquidity in the market, rising construction costs and inflation, extensive and potentially increasing regulation and bureaucratic procedures for obtaining permits and authorizations, political and economic instability that may result in sharp shifts in demand for properties, risks of default in payment and difficulty evicting defaulting tenants.

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\$ 30,000,000, 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.

We may face risks associated with our investment in Israel.

IDBD is one of the largest business conglomerates of Israel. Particularly, due to the limited size of the Israeli market and due to the high level of governmental regulation, IDBD and its subsidiaries may be limited to expand its business in the future, to form joint ventures and/or strategic alliances, or be obliged to sell, transfer or dispose any of its assets or business segments.

Furthermore, changes in the market prices of securities issued by IDBD and its subsidiaries can affect, directly or indirectly, their results of operations, the shareholders' equity, and/or the enterprise value, the ability to approve and/or distribute dividends, and the availability of credit, among other things.

IDBD is indirectly exposed due to its main investments, to changes in the prices of, raw materials, securities, and other economic indices, which may have a material impact on the results of operations of IDBD and its subsidiaries.

Actual losses on client balances could differ from those that IDBD currently anticipates and, as a result, we may need to adjust our provisions. We cannot assure you that we will accurately assess the creditworthiness of its clients. If IDBD is unable to meet its contractual obligations, it may experience delays in the collection of or be unable to collect its client balances, which would adversely affect our results of operations and cash flows could be adversely affected.

As a consequence of the aforementioned and due to the high level of governmental regulation in Israel, 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.

We are currently facing litigation in connection with our investment in IDBD.

On October 20, 2015, the Tel Aviv-Jaffo Court admitted the motion filed by the Arrangement Trustees of IDBH under the Arrangement and determined that any IDBD shares held by any entity controlled by Eduardo Sergio Elsztain and/or transferred by them to third parties shall be prevented from participating as offerees in the Tender Offers as set forth in the Arrangement, with the reservation that this will not apply to IDBD shares which were purchased from minority shareholders on the stock exchange and are in the possession of IFISA. Dolphin filed an appeal before the Supreme Court of Justice of Israel on the Tel Aviv-Jaffo Court's Decision.

There can be no assurances of the final outcome of this litigation if the Supreme Court does not reverse the judgements and remove our ban from participating in the Tender Offers with our indirect shareholdings, and as a consequence 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.

Conditions in Israel may limit the ability of IDBD to develop and sell products, which could result in a decrease of revenues.

IDBD's corporate headquarters and a substantial business are located in Israel. Political, economic and security conditions in Israel could directly affect IDBD's operations. Since the establishment of the State of Israel, a number of armed conflicts, hostilities and terrorist attacks have taken place in Israel and adjacent areas, which in turn could adversely affect IDBD and its results of operations. The disruption of trade between Israel and its main commercial partners, could affect the economic and financial condition of Israel, which could adversely affect the results of operations of IDBD and its subsidiaries.

The rights and responsibilities of IDBD's shareholders are governed by Israeli law and differ in some respects from the rights and responsibilities of shareholders under U.S. law.

IDBD is incorporated under Israeli law. The rights and duties of holders of IDBD's common shares are governed by IDBD's articles of association and by Israeli law. These rights and duties may differ in some respects from the usual for U.S. corporations. Israeli law provides that these duties are applicable in shareholder votes at the general meeting with respect to, among other things, amendments to a company's articles of association, increases in a company's authorized share capital, mergers and actions and transactions involving interests of officers, directors or other interested parties which require the shareholders' general meeting's approval. In addition, a controlling shareholder of an Israeli company or a shareholder who knows that he or she possesses the power to determine the outcome of a vote at a meeting of our shareholders, or who has, by virtue of the company's articles of association, the power to appoint or prevent the appointment of an office holder in the company, or any other power with respect to the company, has a duty of fairness towards the company.

Our inability to provide audited financial statements for IDBD in accordance with Rule 3-09 of Regulation S-X may cause us to be unable to complete a registered offering, which would materially adversely affect our ability to access the capital markets, may cause certain of our shareholders to be unable to rely on Rule 144 for sales of our securities and may ultimately result in the delisting of our GDSs from the NYSE.

We have been unable to obtain financial statements for IDBD for the year ended December 31, 2014 audited in accordance with auditing standards generally accepted in the United States ("U.S. GAAS") that may be required to be included in this Annual Report on Form 20-F by Rule 3-09 of Regulation S-X ("Rule 3-09"). As of June 30, 2015, we held 49% of IDBD and, as such, we did not control IDBD and did not have the power to direct IDBD or its

management to provide us with such audited consolidated financial statements. In reliance on Rule 12b-21 promulgated under the Exchange Act we have provided unaudited consolidated financial statements for IDBD for the year ended December 31, 2014, which do not comply with Rule 3-09. As a result of including such financial information, we do not believe that the omission of the audited financial statements in accordance with Rule 3-09 will have a material impact on a reader's understanding of our financial condition or our results of operations.

We are in the process of requesting a waiver from the SEC for filing the audited consolidated financial statements of IDBD for the year ended December 31, 2014 as may be required by Rule 3-09. We cannot provide you with any assurances that we will obtain this waiver. If the SEC does not grant this waiver to us, we will have to file an amendment to this annual report including the financial statements of IDBD for the year ended December 31, 2014 audited in accordance with U.S. GAAS as soon as such financial statements become available. If this annual report on Form 20-F is considered materially deficient due to the lack of financial statements of IDBD for the year ended December 31, 2014 audited in accordance with U.S. GAAS, we may no longer be considered current in our Exchange Act reporting requirements until the time we file such amendment and we may no longer be considered timely in our Exchange Act reporting requirements. As a result, we would become ineligible to use a "short form" registration statement on Form F-3 for 12 months. In addition, the SEC may not declare effective any registration statement that we file in connection with an offering that requires the financial statements under Rule 3-09 to be included. If, as a result, we are unable to complete a registered offering, our ability to access the public capital markets would be materially adversely affected. Any resulting inability to complete a registered offering may materially adversely impact our business, liquidity position, growth prospects, financial condition and results of operations. Furthermore, the Rule 144 safe harbor for the sale of our securities may be unavailable for a certain period of time, which may make it harder to effect such sales. Finally, our GDSs may ultimately be delisted from the NYSE.

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 the Company.

The evidentiary stage of the legal proceedings has already concluded. The Company 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 former directors of the Company, 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 limitation period has been declared in the criminal action and the criminal defendants have been acquitted. However, this decision was reversed by the Criminal Court of Cassation (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.

The Management and the legal counsel to the Company 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. As of the date hereof no resolution has been issued in such regard. We can not assure you that this Company may succeed in this case.

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

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.

We have subsidiaries and an important source of funds for are cash dividends and other permitted payments from its 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, 2015, such beneficial ownership consisted of: (i) 372,112,411 common shares held by Cresud, and (ii) 900 common shares held directly by Mr. Elsztain.

Conflicts of interest between our management, Cresud and our affiliates may arise in the performance of our business activities. As of June 30, 2015, Mr. Elsztain also beneficially owned (i) approximately 37.4% of Cresud's common shares and (ii) approximately 95.8% 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, 2015, the majority of our liabilities, such as our Series I and Series II Notes are denominated in U.S. Dollars while our revenues are denominated in Pesos. This currency gap exposes us to a risk of exchange rate volatility, which would negatively affect our financial results if the Dollar were to appreciate against the Peso. Any further depreciation of the Peso against the U.S. Dollar will correspondingly increase the amount of our debt in Pesos, with further adverse effects on our results of operation and financial condition and may increase the collection risk of our leases and other receivables from our tenants and mortgage debtors, most of whom have Peso-denominated revenues.

The shift of consumers to purchasing goods over the Internet may negatively affect sales in our shopping centers.

In recent years, retail sales by means of the Internet have grown significantly in Argentina, even though the market share of Internet sales related to retail sales is still not significant. 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.

### Risks Related to our Investment in Banco Hipotecario

As of June 30, 2015, we owned approximately 29.99% of the outstanding capital stock of Banco Hipotecario S.A. (“Banco Hipotecario”), which represented 14.08% of our consolidated assets 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

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.

After the Argentine crisis, the volume of financial activity regarding deposits and loans was severely reduced. Between 2003 and 2007, a gradual and increasing recovery of deposits levels took place. But because of the global financial crisis, these levels were reduced during 2008 only to be further improved during the last half of 2009, until the present date. The Argentine financial system growth strongly depends on deposits levels, due to the small size of its capital markets and the absence of foreign financings during recent years. In the medium term, the growth of credit could depend on the growth of the deposits levels. During 2011-2013 credit was able to grow at a higher rate than deposits, by consuming liquidity excess of financial institutions. Notwithstanding that, in 2014, this scenario started to change, and reasonable deposits started to grow at a faster rate than credits. The liquidity of the Argentine financial system is currently reasonable, due to the high level of mandatory deposits reserves of Argentine financial entities, among other short-term investments, which represent 43% of total deposits. Notwithstanding that, because most deposits are short term, a substantial part of the credits are also short-term maturity, and there are a small proportion of long term credit lines, such as mortgages. Moreover, the restrictions on the purchase of foreign currency naturally reduce the volatility of local currency deposits. 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.

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 that the laws and regulations currently governing the economy or the banking sector will remain unaltered in the future. We cannot assure you that 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.

As of the date of this annual report, there are three legislative bills to amend the Financial Institutions Law which have been sent to the Argentine Congress seeking to modify different aspects of the Financial Institutions Law. 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, there is no prediction on 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.



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.

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 9.1% in 2014. 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 cut back on public expenditure.

In addition, financial institutions currently carry securities issued by the Central Bank in their portfolios, which generally are short-term; such securities issued by the Central Bank represents approximately 19.5% of the total assets of the Argentine financial system. As of June 30, 2015, Banco Hipotecario' s total

exposure to the public sector was Ps.2,286.4 million, which represented 7.6% of its assets as of that date, and the total exposure to securities issued by the Central Bank was Ps. 2,422.2 million, which represented 7.3% of its total assets as of June 30, 2015.

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.

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. In the event that 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 Información Financiera, or "UIF") 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.

#### 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.

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, shrinking spreads and commissions.

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 takes place. A reversal of this trend, or a new regulation imposing maximum active benchmark rates, could adversely affect Banco Hipotecario' s profitability.

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.

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.

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.

In the future, Banco Hipotecario may consider new business opportunities, which could turn out to be unsuccessful.

In recent years Banco Hipotecario has considered some business acquisitions or combinations and plans to continue considering acquisitions that offer appealing opportunities and that are in line with Banco Hipotecario's commercial strategy. However, Banco Hipotecario cannot assure you that such businesses could deliver sustainable outcomes or that it will be able to consummate the acquisition of financial institutions in favorable conditions. Additionally, Banco Hipotecario's ability to obtain the desired outcome because of said acquisitions will be partly dependent upon its ability to follow through with the successful integration of the businesses. To integrate any acquired business entails major risks, including unforeseen difficulties in integrating operations and systems; problems inherent in assimilating or retaining the target's employees; challenges associated with keeping the target's customers; unforeseen liabilities or contingencies associated with the target; and the likelihood of management having to take time and attention out of the business's day-to-day to focus on the integration activities and the resolution of associated problems.

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.

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, 2015, owned approximately 64.3% of our common shares (or approximately 372,112,411 common shares which may be exchanged for an aggregate of 37,211,241 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”) 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.

We have identified a material weakness in our internal controls over financial reporting related to the accounting for derivative financial instruments derived from non-routine complex contractual provisions in the context of the acquisition of an associate.

Our management has 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 is related to the accounting for derivative financial instruments derived from non-routine complex contractual provisions in the context of the acquisition of an associate. 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 Item 15. 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, and most of our assets 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, 2015, 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 depository. If requested by us, the GDS depository 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 depository as to voting the common shares represented by their GDSs. Due to these procedural steps involving the GDS depository, 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 fewer 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. Although during 2014 inflation accelerated mainly due to the currency devaluation process carried out by the Central Bank, we paid dividends on April 15, 2015. 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 devalue 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 depository to convert cash dividends paid in Pesos into U.S. Dollars. Under the terms of our deposit agreement with the GDS depository for the GDSs, to the extent that the GDS depository 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 depository 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 depository this conversion is not possible on a reasonable basis (or is not permitted by applicable Argentine laws, regulations and approval requirements), the GDS depository may distribute the foreign currency received by it in Pesos in Argentina or in its discretion hold such currency uninvited 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 depository 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, by our by-laws and by certain restrictive covenants in our debt instruments.

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 devalue 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.

On February 2, 2007, we issued our fixed-rate notes due 2017 in an aggregate principal amount of US\$150.0 million, which accrue interest at an annual interest rate of 8.5% payable semiannually and maturing on February 2, 2017.

On July 20, 2010, we issued fixed-rate notes due in 2020 in an aggregate principal amount of US\$ 150.0 million, which accrue interest at an annual interest rate of 11.5% payable semiannually and mature on July 20, 2020.

These notes contain a covenant limiting our ability to pay dividends which may not exceed the sum of:

- 50% of our cumulative consolidated net income; or
- 75% of our cumulative consolidated net income if our consolidated interest coverage ratio for our most recent four consecutive fiscal quarters is at least 3.0 to 1; or
- 100% of cumulative consolidated net income if our consolidated interest coverage ratio for our most recent four consecutive fiscal quarters is at least 4.0 to 1; or
- 100% of the aggregate net cash proceeds (with certain exceptions) and the fair market value of property other than cash received by us or by our restricted subsidiaries from (a) any contribution to our capital stock or the capital stock of our restricted subsidiaries or issuance and sale of our qualified capital stock or the qualified capital stock of our restricted subsidiaries subsequent to the issue of our notes due, (b) issuance and sale subsequent to the issuance of our notes due 2017 or our indebtedness or the indebtedness of our restricted subsidiaries that has been converted into or exchanged for our qualified capital stock, or (c) any reduction in our indebtedness or any restricted

subsidiary, (d) any reduction in debt investment (other than permitted investments) and return on assets, or (e) any distribution received from non-restricted subsidiaries.

- As a result, we cannot assure you that in the future we will pay any dividends in respect of our common shares.

#### 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 in the Mercado de Valores de Buenos Aires (“MERVAL”) through the Bolsa de Comercio de Buenos Aires (“BCBA”) and our GDSs representing our common shares are listed in the New York Stock Exchange (“NYSE”). Our principal executive offices are located at Bolívar 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 Global Depositary Shares 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: Libertador 498, Maipú 1300 and Madero 1020.

Since 1996, through our subsidiary IRSA Commercial Properties, we have expanded our real estate activities in the shopping center segment through the acquisition of controlling interests in fifteen 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 (through a joint venture), Distrito Arcos and Alto Comahue Shopping. 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 Banco Hipotecario. Over the years, we have acquired additional common shares increasing our interest to 29.99% as of the date of this annual report.

In 2005 we opened Alto Rosario Shopping. 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.

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During 2007, we made several significant acquisitions in the shopping center and office building 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. 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 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 international financial crisis of that year. We acquired a 30% interest in Metropolitan 885 LLC (“Metropolitan”), and the debt associated with such entity, whose main asset is a 34-story building named Lipstick Building, located at 885 Third Avenue, New York, the purchase price paid was US\$ 22.6 million. The property has approximately 59,000 square meters of leasable area. Moreover, we acquired the right of first offer for the 60% of the 5% interest currently held by other shareholder of Metropolitan. During fiscal year 2011, 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 as payment for the new restructured mortgage debt, 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 owner of Metropolitan, and as part of those agreements it left annulled the put option for the 50% interest initially acquired.

In 2009, due to the deterioration of the financial conditions and results of operations of Tarshop S.A.(“Tarshop”) as a result of adverse economic conditions, IRSA Commercial Properties participated in several capital increases in Tarshop and in which IRSA Commercial Properties invested Ps.165.0 million to provide liquidity and additional capital, thereby increasing its equity interest in Tarshop from 80% to 98.6%. In December 2009, we entered into an agreement to sell common shares representing 80% of Tarshop’ s capital stock to our affiliate Banco Hipotecario for US\$26.8 million.

In May 2009, we opened the shopping mall, named Dot Baires Shopping, which has four levels and basement levels, for total area of 173,000 square meters, being 49,179 square meters of 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 coast 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.





contain approximately 9,800 rooms. In 2014, most of our interest in Hersha at prices by common share that almost doubled the amount invested, reaching very important earnings.

On January 14, 2010, we informed that Parque Arauco S.A. granted us an option to purchase its 29.6% interest in Alto Palermo (currently IRSA Commercial Properties) (including its direct and indirect interest in IRSA Commercial Properties' Convertible Notes for a nominal value of US\$15.5 million), for a total amount of US\$126 million. Upon signing the option, we made an initial payment to Parque Arauco S.A. of US\$6.0 million, imputable at final price. On October 15, 2010, we exercised the option, paying the remaining balance of US\$120 million, as a consequence we increased our shareholding in IRSA Commercial Properties from 63.35% to 94.9%. On June 30, 2015, our holding was 95.8%.

In December 2010 we acquired a 49% interest in Rigby 183 LLC ("Rigby"), owner of the building located at 183 Madison Avenue, New York, valued at US\$85.1 million. This area has several famous buildings like the Empire State Building, Macy's Herald Square, and Madison Square Garden, and has one of the largest markets in offices and shops, excellent transportation, restaurants, shops and options for recreation. In November 2012 we increased our participation in an additional 25.5%, increasing our interest in Rigby to 74.50% of its share capital. At the time of this acquisition, the building was valued at US\$147.5 million.

In March 2011, we bought the Nobleza Piccardo warehouse a subsidiary in which we have a 50% stake. This property is located in the city of San Martín, 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 and floor area of 81,786 square meters. Under the agreement signed, 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, such as Comfort Inn, Days Inn, Hampton Inn, Holiday Inn, Sleep Inn, and Super 8, among others. 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" as its symbol on Nasdaq to "CDOR" ("Condor"). The strategy is based on simplifying the shareholding structure and then to capitalize the company and fund its business plan consisting in the selective sale of less- range hotels and replacement with upgrade hotels.

In December 2014, we created IRSA Commercial Properties, an exclusive vehicle of commercial real estate in Argentina with more than 430,000 premium square meters, 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), which we decided to change its name to IRSA Commercial Properties, which remains listed on the Merval and 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 Intercontinental II, adjoining to Edificio Intercontinental Plaza, which has potential for the development of 19,597 m2.

In the same month of 2014, we opened our 14th 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 locals and 15 stands was established as an outlet with variety of premium brands in an open-air environment. In a second step the construction of a gymnasium is planned, store household items and an exceptional cultural offer, reaching 65 locals and 20 stands in total adding approximately 2,000 square meters of additional gross leasable area.

In March 2015, we were able to inaugurate our fifteenth mall of our portfolio within the country. 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 place the most prestigious brands in the country. The project is part of a complex mixed-use, to be completed with 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, owned by the Company for future housing development.

During the first quarter of 2015, we sold 183Madison Building, located in the city of New York, for US\$185 million, in addition we have paid the mortgage over such property of US\$75 million. The sale value of the building of US\$ 185 million implies a 117% appreciation in the investment period and a confirmation of our opportunistic vision of the american real estate market after the international financial crisis.

Since 2013 and continuing with our strategy of expansion and diversification in the international markets, we increased our investment in the Israeli conglomerate IDB Development Corporation Ltd. ("IDBD"), 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, retail, agro business, insurance, telecommunications, etc; controlling or having significant interests in companies such as Clal Insurance (insurance), Cellcom (mobile phone services), Koor Industries (owner of 40 % of Adama (Agrochemicals), Super -Sol (supermarkets), PBC (real estate), among others. As of the date of this annual report, we have invested approximately US\$300 million and we own an indirect 49% interest in IDBD.

#### Significant acquisitions, dispositions and development of business

Fiscal year ended June 30, 2015

##### Sale of investment properties

On July 7, 2014, we sold the 19th and 20th floors of the Maipú 1300 Building. The total price for the transaction was Ps. 24.7 million. Such transaction generated a gain before tax of approximately Ps. 21.0 million.

On September 29, 2014, the Company through its subsidiary Rigby, finalized the sale of the Madison 183 Building, New York, United States, for US\$185 million, thus paying off the mortgage levied on the asset in the amount of US\$75 million. Such transaction generated a gain before tax of approximately Ps.296.5 million.

On October 8, 2014, we sold the 22nd and 23th floors of Bouchard 551 Building, for a total price of Ps.168.7 million. Such transaction generated a gain before tax of approximately Ps.151.4 million.

On October 22, 2014, we sold the 10th floor, two parking units of Maipú 1300 Building and one parking unit of Libertador 498 Building, for a total price of Ps.12.0 million. Such transaction generated a gain before tax of approximately Ps.10.4 million.

On October 28, 2014, we sold the 9th, 10th and 11th floor of the Bouchard 551 Building, for a total price of Ps.279.4 million. Such transaction generated a gain before tax of approximately Ps.240.5 million.

On November 7, 2014, we sold the 21st floor of the Bouchard 551 Building, for a total price of Ps.75.6 million. Such transaction generated a gain before tax of approximately Ps.66.7 million.

On December 10, 2014, we sold the 9th floor of Maipú 1300 Building, for a total price of the transaction was Ps.12.5 million. Such transaction generated a gain before tax of approximately Ps. 11.0 million.

On May 5, 2015, through IRSA Commercial Properties we sold 8,470 square meters corresponding to nine offices floors and 72 parking units, of Intercontinental Plaza Building, for a price was Ps.376.4 million, which has already been fully paid. Such transaction generated a gross profit before tax of Ps. 338.4 million.

On May 19, 2015, we sold the fifth floor of Maipú 1300 Building and one parking unit in Libertador 498 Building for a total price of the transaction was US\$1.5 million. Such transaction generated a gain before tax of approximately Ps. 11.9 million.

On June 5, 2015, we sold the 14th floor of Maipú 1300 Building, for a total price of US\$1.5 million. Such transaction generated a gain before tax of approximately Ps. 11.8 million.

#### Decreased shareholding in Avenida Inc. ("Avenida")

On July 18, 2014, the Company, through Torodur S.A. ("Torodur"), exercised the warrants associated to this investment and consequently increased its interest in Avenida to 6,172,840 shares or 35.46%. Nevertheless, simultaneously, the Company's holding was reduced to 23.01% as a result of the acquisition of 35.12% interest in Avenida by a new investor at such date.

Subsequently, on September 2, 2014, Torodur sold 1,430,000 shares representing 5% of Avenida's capital stock in the amount of Ps. 19.1 million (equivalent to US\$ 2.3 million), thus reducing equity interest to 17.68% of its share capital. Such transaction generated a gain of Ps. 8.8 million that are shown in the line "Other operating results, net" in the statement of comprehensive income. As a result of the sale of the interest, the Company no longer has significant influence in Avenida and therefore has ceased to recognize it as an investment in associates and began to consider it as a financial asset at fair value in the financial statements as of June 30, 2015. On July, 2015, following last year sale of 5% and the recent capital round, our share interest was diluted to 11.38% of Avenida.

#### Purchases of investment properties

On July 31, 2014, we acquired from Cresud five plots of farmland of approximately 1,058 hectares located in the district of Luján and General Rodriguez, Province of Buenos Aires. The total price of the transaction was Ps. 210 million. Such property is disclosed in offices and other rental properties.

On May 6, 2015, the Company, through IRSA Commercial Properties, acquired a property located in Villa Cabrera, Córdoba. The purchase price of the transaction was Ps. 3.1 million, paid upon execution of the conveyance deed.

## Acquisition of additional interest in Banco Hipotecario

During the year ended June 30, 2015, we acquired 3,289,029 additional shares of Banco Hipotecario for a total amount of Ps.14.2 million, increasing our interest from 29.77% to 29.99%, without consideration of Treasury shares.

## Investment in IDBD

### General

As of June 30, and as of the date hereof, we hold an indirect investment, through Dolphin Fund Limited (“Dolphin Fund”) and Dolphin Netherlands B.V. (“Dolphin Netherlands” and together with Dolphin Fund, “Dolphin”), of 49% of the outstanding capital of IDBD.

As of June 30, 2015 we recorded our investment in IDBD of Ps. 1,136 million and had accounted for a liability that reflected Dolphin’s obligation to undertake the Tender Offers (as defined below) for an amount of Ps. 502.6 million.

As a part of the terms of the Arrangement (as defined below), Dolphin agreed to undertake one or more Tender Offers for the acquisition of shares of IDBD for a total amount of NIS512.09 million (equivalent to approximately US\$ 135.7 million at the exchange rate prevailing as of June 30, 2015), as follows: (i) at least NIS249.8 million for a price per share of NIS7.798 (price valid as of June 30, 2015, subject to adjustment) by December 31, 2015, an amount of; and (ii) at least NIS512.09 million less the offer made in 2015, for a price per share of NIS8.188 (price as of June 30, 2015, subject to adjustments) by December 31, 2016.

For more information see “—Investment in IDBD—Background of the Investment in IDBD”.

### Background of the Investment in IDBD

On May 7, 2014, through Dolphin Netherlands B.V, we entered into a transaction, jointly with C.A.A. Extra Holdings Limited, a non-related company, controlled by Mordechai Ben Moshé (“Extra”), through which 106.6 million common shares of IDBD representing 53.30% of its stock capital were acquired under the scope of a debt restructuring of IDBD’s holding company, IDB Holdings Corporation Ltd. (“IDBH”) with its creditors (the “Arrangement”).

Under the terms of the shareholders' agreement entered into between Dolphin Fund and E.T.H.M.B.M. Extra Holdings Ltd., a company controlled by Mordechai Ben Moshé, to which Dolphin Netherlands and Extra acceded (the “Shareholders' Agreement”), Dolphin acquired a 50% interest in this investment, while Extra acquired the remaining 50%. The total investment amount was NIS950 million, equivalent to approximately US\$272 million at the exchange rate prevailing on that date.

Under the Arrangement, Dolphin and Extra agreed to participate on a joint and several basis in the capital increases by way of rights offerings resolved by IDBD’s Board of Directors in order to carry out its business plan for 2014 and 2015, in an amount of at least NIS300 million for 2014 and NIS500 million for 2015.

As of June 30, 2015, Dolphin has contributed NIS668.6 million in aggregate while Extra contributed NIS203.5 million in IDBD. Thus, Dolphin has completed its committed contributions, while IDBD is claiming from Extra, and Dolphin, under its joint and several liability, to pay the balance committed by Extra for an aggregate of NIS196.5 million (equivalent to approximately US\$52.1 million at the exchange rate prevailing as of June 30, 2015).

Moreover, as part of the Arrangement, Dolphin and Extra committed jointly and severally to make one or more tender offers (the “Tender Offers”) for the acquisition of shares of IDBD for a total amount of NIS512.09 million (equivalent to approximately US\$135.7 million at the exchange rate prevailing as of June 30, 2015), as follows: (i) by December 31, 2015 at least NIS249.8 million for a price per share of NIS7.798 (value as of June 30, 2015, subject to certain

adjustments) and (ii) by December 31, 2016, for at least NIS512.09 million, less the offer made in 2015, for a price per share of NIS8.188 (value as of June 30, 2015, subject to certain adjustments). As security for the performance for the Tender Offers, a total of 34,130,119 shares of IDBD were pledged as of June 30, 2015.

On May 12, 2014, IDBD's shares were listed on the "Tel Aviv Stock Exchange ("TASE"), consequently, all the shares (including the pledged shares) were deposited in escrow with Bank Leumi Le-Israel in compliance with the lock-up provisions set forth in the TASE Regulations, which provide that initially listed shares may not be disposed of for a term of 18 months and allow the release of 2.5% per month beginning on the fourth month since the initial listing date, consequently, pursuant to the TASE's regulations as of June 30, 2015, 39,237,461 shares and 243,394 Series 3 warrants remained deposited as set forth above (including part of the pledged shares).

In addition, as of June 30, 2015, 49,695,135 shares, 23,950,072 Series 4 warrants, 22,752,569 Series 5 warrants and 20,357,561 Series 6 warrants of IDBD held by Dolphin were deposited in the same escrow account in which the pledged shares are deposited, and were later transferred to an account of Dolphin which is not an escrow account. As of the date hereof today, the Tender Offers have not been consummated yet.

Pursuant to the provisions of IDBD's shelf offering report for the rights issuance dated June 9, 2014, on June 26, 2014, a total of 1,332,500 rights to subscribe shares and warrants were granted by IDBD to Dolphin at a ratio of one per each 40 shares held, which were exercised on July 1, 2014. Later on, during IDBD's rights issuance process, Dolphin and Extra acquired 0.89 million additional rights for NIS2.83 million, equivalent to approximately US\$0.83 million, out of which 50% correspond to Dolphin and 50% to Extra, all in accordance with the terms of the Shareholders' Agreement.

The rights offered by IDBD allowed to subscribe in July 2014 for 13 common shares of IDBD for a price of NIS65 (NIS5 per share) and 27 warrants, 9 of each series (series 1, 2 and 3) to be issued by IDBD, at no cost. Each warrant issued by IDBD would allow the acquisition of one common share of IDBD. Series 1 matured on November 1, 2014 and were exercisable at NIS5.50 per warrant. Series 2 matured on May 1, 2015 and were exercisable at NIS6.00 per warrant. Series 3 matures on December 1, 2015 and is exercisable at NIS6.50 per warrant.

On July 1, 2014 Dolphin exercised all granted rights it held as of June 30, 2014 to acquire additional shares in IDBD. As a result of the exercise of such rights, Dolphin received 23.1 million shares and 16 million of each of Series 1, 2 and 3 warrants. Extra held the same number of rights and acquired the same number of shares and warrants as Dolphin.

During the period from July 9 to July 14, 2014, Dolphin acquired through market transactions 0.42 million shares and 0.34 million Series 2 warrants for NIS1.77 million (equivalent to approximately US\$0.52 million as of such date); 50% of which were subsequently sold to Extra pursuant to the provisions of the Shareholders' Agreement.

On November 2, 2014, Dolphin exercised 15,998,787 Series 1 warrants and Extra exercised its respective share of Series 1 warrants.

On January 19, 2015, Dolphin acquired through market transactions 94,000 shares of IDBD for a total amount of NIS0.13 million (equivalent to US\$0.03 million as of the purchase date) and subsequently sold 50% to Extra in accordance with the terms of the Shareholders' Agreement. In addition, Dolphin acquired 42,564 shares of Discount Investment Corporation Ltd. ("DIC"), IDBD's subsidiary, for NIS0.24 million (equivalent to US\$0.06 million as of the purchase date), 50% of which was offered to Extra under the terms of the Shareholders Agreement; notwithstanding the aforementioned, Extra decided not to acquire the corresponding 50%.

Furthermore, on January 19, 2015, IDBD issued a shelf offering report for the issuance of rights (the "Rights Offering") for approximately NIS800 million (the "Maximum Immediate Payment") pursuant to an irrevocable offer from Dolphin dated December 29, 2014, to grant on January 26, 2015, one right (one "New Right") for each 25 shares held in IDBD. Each New Right would grant a right to subscribe on February 10, 2015, 45 common shares of IDBD for NIS68.04 (NIS1.512 per share) and 20 Series 4 warrants, 19 Series 5 warrants and 17 Series 6 warrants issued by IDBD at no cost. Each warrant issued by IDBD would allow acquiring a common share in IDBD. The Series 4 warrants will mature on February 10, 2016 at an exercise price of NIS1.663 per warrant. Series 5 warrants will mature on February 12, 2017 at an exercise price of NIS1.814 per warrant. Series 6 warrants mature on February 12, 2018 at an exercise price of NIS1.966 per warrant.

As a result of the Rights Offering above mentioned, on January 26, 2015, Dolphin received 3.7 million New Rights, while Extra received the same number of New Rights. The Rights Offering shelf offering report also stipulated that on February 5, 2015 the rights received could be traded on the public market during such single day only.

In addition, on February 5, 2015, Dolphin acquired 2.05 million New Rights for a total amount of NIS0.94 million (equivalent to US\$0.24 million as of the purchase date), 50% of which was offered to Extra under the terms of the Shareholders' Agreement; notwithstanding the aforementioned, Extra decided not to acquire the corresponding 50%.

On February 10, 2015 Dolphin exercised all New Rights received and acquired on the market. As a result of exercise of these New Rights, Dolphin received 258,970,184 shares, 115,097,859 Series 4 warrants, 109,342,966 Series 5 warrants and 97,833,180 Series 6 warrants. Extra did not exercise any of the New Rights it held. On February 10, 2015, Dolphin sold 71.39 million shares of IDBD to Inversiones Financieras del Sur S.A. ("IFISA") at the closing price of NIS1.39 per share, totaling NIS99.23 million, equivalent to US\$25.65 million at the exchange rate prevailing on the date of the transaction.

As a result of the Right Offering, Dolphin remained obliged to inject an amount of NIS8.5 million as equity into IDBD by way of an additional rights offering.

In addition, between February 9 and February 16, 2015, Dolphin acquired in the market 0.36 million shares of DIC for NIS2.88 million, equivalent to US\$0.74 million at the exchange rate prevailing on the date of each transaction, part of which was offered to Extra under the terms of the Shareholders Agreement, notwithstanding the foregoing, Extra decided not to acquire its part of such shares according to the Shareholders Agreement.

On May 1, 2015 the IDBD Series 2 warrants matured without being exercised.

On May 31, 2015 Dolphin sold to IFISA 46 million Series 4 warrants for a total amount of NIS0.46 million (equivalent to US\$0.12 million as of the date of the transaction), on condition that IFISA agrees to exercise all of them when so required by IDBD to Dolphin, in accordance with the proposal made on May 6, 2015 (as detailed below).

On June 3, 2015 in accordance with the Dolphin proposal dated May 6, 2015, Dolphin exercised 44.2 million Series 4 warrants for a total amount of NIS73.5 million (equivalent to US\$19.2 million at the exchange rate prevailing on such date) and IFISA exercised 46 million Series 4 warrants for a total aggregate amount of NIS76.5 million.

As a result of the transactions described above, as of June 30, 2015, Dolphin held an aggregate number of 324,445,664 shares, 15,988,787 Series 3 warrants, 24,897,859 Series 4 warrants, 109,342,966 Series 5 warrants and 97,833,180 Series 6 warrants, accounting for a 49.0% share interest in IDBD, and IFISA held 117,390,470 shares accounting for a 17.73% share interest in IDBD. In addition, as of June 30, 2015 Dolphin held 406,978 shares of DIC, representing a direct interest of 0.48%.

As of June 30, 2015, IDBD's Board of Directors consisted of nine members, three of which were appointed by Dolphin as regular directors: Eduardo Sergio Elsztain, Alejandro Gustavo Elsztain (on July 7 Roni Bar- On replaced him) and Saúl Zang.

For more information, see "Item 4—Recent Developments."

#### IDBD Arbitration

On February and March 2015 Dolphin and Extra exchanged letters mainly in relation to claims from Extra in connection with the Rights Offering and Extra's claim demanding a pro rata acquisition of shares of IDBD owned by Dolphin acquired under the Rights Offering, all the shares acquired thereafter by IFISA and the allocation of certain IDBD shares between Dolphin and Tyrus, asserting in the latter cases the rights under the Shareholders' Agreement (first refusal).



Based on the foregoing and in accordance with the provisions of the Shareholders' Agreement with respect to dispute resolution, on April 30, 2015 arbitration proceedings were initiated in Tel Aviv (the "Preliminary Hearing"), and the Israeli law applies thereto. The arbitration proceedings are intended to settle the issues referred to above, and application and interpretation of certain clauses of the Shareholders' Agreement.

In addition, during the Preliminary Hearing, the parties agreed on the rules and procedures that would govern the conduct of the arbitration proceedings and a schedule for such purposes.

On May 28, 2015, before the filing of the arbitration claim, Extra triggered the Buy Me Buy You (“BMBY”) clause in the Shareholders’ Agreement, which establishes that each party to 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; and within 14 days from delivery of the BMBY notice (the “Notice”) recipient should let it know whether it desires to sell or acquire the other party’s shares pursuant to the terms of the Notice, in accordance with the provisions of the Shareholders Agreement. In the Notice, Extra further added that the purchaser thereunder would be required to assume all obligations of seller under the Arrangement.

On June 10 and 11, 2015, Dolphin gave notice to Extra of its intention to buy all the shares of IDBD held by Extra, asserted its defenses and its interpretation about application and construction of the BMBY, establishing that Extra’s interpretation of such mechanism was inaccurate, and pursuant to the BMBY clause, Dolphin was not required to assume all of the obligations under the Arrangement, but that if the arbitrator shall decide that Dolphin is required to assume such obligations, then Dolphin would still be the purchasing party in the BMBY.

As a result, the parties pursued arbitration to settle their disputes and in respect of the correct interpretation of the BMBY clause, in order to determine, first, who would be the purchaser under the BMBY clause, and whether such party will be under the obligation to assume all the obligations of seller under the Arrangement.

For such purposes, the arbitrator decided to divide the arbitration proceedings into two phases: the first one to deal with the disputes related to application and interpretation of the mechanism under the BMBY clause and the second one in relation to the parties’ additional claims.

The parties then filed their respective arguments related to the application and interpretation of the BMBY clause mechanism, and two hearings were held on July 19 and July 22, 2015 in order to reach a decision on this matter.

Moreover, on June 28 and 30, 2015 Extra filed a motion with the arbitrator requesting an injunction preventing changes in IDBD’s current Board of Director’s composition at IDBD’s annual shareholders’ meeting held on July 7, 2015.

For more information, see “Item 4—Recent Developments.”

#### Proposals to IDBD

On December 29, 2014, Dolphin agreed to inject funds in IDBD, directly or indirectly, through entities controlled by Eduardo Sergio Elsztein, for at least NIS256 million and up to NIS400 million, as follows: (i) NIS256 million through the exercise of the New Rights arising from the Rights Offering by Dolphin; (ii) an additional investment (the “Additional Investment”) for an amount equivalent to (a) the Maximum Immediate Payment), less (b) the amount received by IDBD under the Rights Offering, excluding the exercise of the new warrants, but in no case for an amount higher than NIS144 million. The Additional Investment will be made by Dolphin or by any entity directly or indirectly controlled by Eduardo Sergio Elsztein exercising additional rights to be acquired by them or, if such rights are not acquired, by participating in another rights offering to be made by IDBD.

On February 10, 2015, Dolphin subscribed a total of NIS391.5 million, with a remaining contribution commitment of NIS8.5 million.

In addition, Dolphin committed to (i) exercise the Series 4 warrants for a total amount of NIS150 million if so requested by IDBD’s Board of Directors within six to 12 months as from the Rights Offering date; and (ii) exercise the remaining Series 4, 5 and 6 warrants received under the Rights Offering, subject to the satisfaction of two conditions simultaneously: (a) that IDBD and its creditors reach an agreement to amend certain debt covenants; and (b) that a control permit over Clal is given by the Capital Markets, Insurance and Savings Commissioner of Israel.

On May 6, 2015, Dolphin submitted to IDBD's Board of Directors a binding and irrevocable proposal, which mainly provided the following:

- Appointment of Eduardo Sergio Elsztain as sole chairman of IDBD's Board of Directors;
- Dolphin's commitment (directly or through any vehicle controlled by Eduardo Sergio Elsztain) to accelerate its obligation to exercise the Series 4 warrants for NIS150 million, and thus IDBD will have the possibility to require their exercise since May 20, 2015 (later it was clarified that this date would be no later than June 2, 2015) instead of on July 19, 2015, provided that before May 20, 2015, IDBD receives a written irrevocable commitment from the representatives of the IDBD bondholders to the effect that until July 20, 2015 they will not call a bondholders meeting (unless they are required to do so under the applicable laws) that includes in its agenda any of the following items:
  - i) Appointment of advisers (financial, legal or otherwise);
  - ii) Appointment of a committee representing IDBD's bondholders (as defined below);
  - iii) File legal actions against IDBD; and
  - iv) Accelerate the maturity or demand immediate payment of any indebtedness of IDBD.
- IDBD's Board of Directors should set up a committee composed of two members of IDBD's monitoring committee and two members of IDBD's board appointed by Dolphin, which shall have the following duties, subject to the applicable law (later it was clarified that such committee shall not have the authority to make any decision but rather only to make recommendations to the board of directors):
  - i) Manage, discuss, negotiate and conclude negotiations with the representatives of IDBD's bondholders regarding their requests;
  - ii) Negotiate with IDBD's financial creditors a new set of covenants for IDBD's financial indebtedness; and
  - iii) Devise a business and financial plan for IDBD.
- Dolphin (directly or through any vehicle controlled by Eduardo Sergio Elsztain), promised to submit offers to purchase IDBD shares in the public phase of the public offering at an amount of up to NIS100 million at a price per share which is no less than the opening price in the public phase of the public offering, and subject to the following conditions, inter alia:
  - i) That IDBD makes a public offering of its shares under terms acceptable to the market and approved by IDBD's Board of Directors, for an amount of at least NIS100 million and not to exceed NIS125 million, and that the offering is made between October 1, 2015 and November 15, 2015.
  - ii) The commitment assumed by Dolphin would automatically expire upon the occurrence of any of the following events before the day of the public auction under the public offering: (i) if any of IDBD's creditors or any of the representatives of IDBD's bondholders files legal actions against IDBD, including a request for early or immediate repayment or acceleration of any portion of IDBD's debt; (ii) if a meeting of any of IDBD's bondholders is called including in its agenda any of the matters set forth above; (iii) if IDBD receives capital contributions for a total amount of NIS100 million in any manner, whether through a rights offering, the exercise of warrants, a private or public placement, and if such contributions are made by Dolphin directly or through any vehicle controlled by Eduardo Sergio Elsztain (apart from the capital contributions creditable against the remaining NIS8.5 million

obligation under Dolphin's irrevocable proposal dated December 29, 2014), or by any other individual or legal entity, or the investor public, and at any event when the aggregate amount of such capital contributions under paragraph 5 (d) (iii) of the proposal so submitted is lower than NIS100 million, Dolphin's commitment under Section 5 (c) above would be reduced accordingly; or (iv) if a material adverse event or change occurs in IDBD or its control structure or in any of its material affiliates.

On May 7, 2015, IDBD's Board of Directors approved the proposal and Eduardo Sergio Elsztain was appointed sole Chairman of IDBD's Board of Directors.

On June 3, 2015, pursuant to Dolphin's original proposal dated December 29, 2014, as amended by paragraph (ii) of the proposal dated May 6, 2015, Dolphin exercised 44.2 million Series 4 warrants, while IFISA exercised the remaining Series 4 warrants required to complete the total NIS150 million commitments. Therefore, the commitment was satisfied as of June 30, 2015.

Proposal to IDBD and DIC

On June 29, 2015, Dolphin submitted an irrevocable proposal to IDBD and DIC (the "Proposal Sent to IDBD and DIC") which offered that, subject to its approval by the Boards of Directors of both companies, DIC would start as soon as possible a rights offering for up to approximately NIS500 million ("DIC's Rights Offering") (equivalent to US\$132.5 million at the exchange rate prevailing as of June 30, 2015). Under DIC's Rights Offering, each shareholder of DIC would receive, for no consideration, DIC's right units consisting of 4 series of warrants issued by DIC (which would be registered for trading in the TASE), each of which would be exercisable for one common share of DIC ("DIC's Warrants"), with the following features:

- DIC's Warrants would be divided into 4 series, and the exercise price of each of such series would be approximately NIS125 million, as follows:
  - i) The first series of warrants would be exercisable until December 21, 2015, for a price to be determined based on acceptable market conditions and after consultation with capital market experts, but in no case for a higher price than NIS6.53 ("DIC's #1 Warrants").
  - ii) The second series of warrants would be exercisable until December 21, 2016, for an exercise price equivalent to 110% of DIC's #1 Warrants' exercise price.
  - iii) The third series of warrants would be exercisable until December 21, 2017, for an exercise price of: (i) 110% of DIC's #1 Warrants' exercise price, in the event they are exercised before December 21, 2016; or (ii) 120% of DIC's #1 Warrants' exercise price if they are exercised between December 21, 2016 and December 21, 2017.
  - iv) The fourth series of warrants would be exercisable until December 21, 2018, for an exercise price of: (i) 110% of DIC's #1 Warrants' exercise price, in the event they are exercised before December 21, 2016; or (ii) 130% of DIC's #1 Warrants' exercise price if they are exercised between December 21, 2016 and December 21, 2018.
- As part of DIC's Rights Offering, IDBD would promise to exercise all DIC's #1 Warrants issued in favor of IDBD, for a total amount of approximately NIS92.5 million ("IDBD's Investment Amount") by December 21, 2015, provided that the following conditions have been satisfied as of such date:
  - i) IDBD should have the written consent of IDBD's main lenders for IDBD to exercise DIC's #1 Warrants issued in its favor under DIC's Rights Offering.
  - ii) IDBD should have conducted and completed a Public Offering (as defined below), under which it should have raised an amount of at least NIS200 million.
  - iii) IDBD should have received the written consent of its main lenders in order for any amount injected as capital in IDBD after the date of such proposal in excess of NIS100 million and up to NIS350 million, to be used at any time for injection from IDBD into DIC, through any capital injection method.
  - iv) IDBD's obligation expires upon the occurrence of any of the events which result in the expiration of Dolphin's commitment pursuant to the proposal (as described below) or in case of a material adverse event or change occurs in IDBD or its control structure or in any of its material affiliates.
- In turn, Dolphin proposed the following to IDBD:
  - i) IDBD's public offering amount under Dolphin's proposal dated May 6 would be increased by at least NIS100 million and up to NIS125 million (the "Public Offering under the Proposal to IDBD and DIC"). In other words, the

total amount would be increased from a minimum of NIS100 million to a minimum of NIS200 million, and the maximum amount would be increased from a maximum of NIS125 million to a maximum of NIS250 million (the “Total Increased Amount”).

- ii) Therefore, Dolphin’s obligation to participate in the Public Offering under the Proposal to IDBD and DIC would be increased (compared to the proposal dated May 6, 2015) by an amount equal to the difference between the Total Increased Amount and the total amount of commitments received, always provided that such amounts were not higher than NIS200 million (the “Capital Contribution Amount”).
- iii) The approval of this proposal would constitute IDBD’s confirmation and approval that all of Dolphin’s commitments under this proposal would imply the full and complete settlement of its remaining obligations to inject NIS8.5 million in IDBD, pursuant to Dolphin’s irrevocable proposal dated December 29, 2014 (provided however that Dolphin shall participate in an amount exceeding NIS8.5 million).
- iv) The amount mention in section 5(d)(iii) of the May 6 proposal shall be NIS200 million.
- v) Dolphin’s commitment would automatically expire upon the occurrence of any of the following events: (i) if any of DIC’s creditors or any of the trustees of DIC’s bonds filed any legal action against DIC, including a request for early repayment or acceleration of any portion of DIC’s debt; and/or (ii) if any meeting of DIC’s bondholders included in its agenda any or many of the following matters: (a) appointment of advisers (financial, legal or otherwise); (b) appointment of a committee of representatives of DIC’s bondholders; (c) filing of any legal action against DIC; and/or (d) request for early or immediate repayment of any portion of DIC’s debt, or any similar discussion.

The Proposal to IDBD and DIC was binding and irrevocable, and it was valid up to July 13, 2015 (later extended to July 16, 2015) and expired on such date if the Boards of Directors of IDBD and DIC did not accept it and approve it unconditionally. On July 9 and 16, 2015, Dolphin submitted clarifications on the Proposal to IDBD and DIC. The Proposal to IDBD and DIC was approved by IDBD’s Board of Directors on July 16, 2015.

For more information, see “Item 4—Recent Developments.”

As Dolphin is a subsidiary that qualifies as a VCO in accordance with the IAS 28 exemption referred to in Note 2.3 (d), the Company has recorded its interest in IDBD at fair value with changes in the income statement.

## Disposal of financial assets

During August 2014, IRSA sold through its subsidiary REIG IV the remaining balance of 1 million shares of Hersha, at an average price of US\$6.74 per share.

## Changes in non-controlling interest

## IRSA Commercial Properties

During the fiscal year 2015, the Company acquired an additional equity interest of 0.10% of IRSA Commercial Properties for a total consideration of Ps. 5.7 million. As a result of this transaction, the non-controlling interest was reduced by Ps.0.9 million and the interest attributable to the shareholders' of the controlling parents was reduced by Ps. 4.8 million. The equity interest in IRSA Commercial Properties as of June 30, 2015 amounts to 95.80%. The effect on shareholders' equity of this change in the equity interest in IRSA Commercial Properties is summarized as follows:

	Ps. (in thousands)
Carrying value of non-controlling interest	949
Price paid for the non-controlling interest	(5,750 )
Reserve recognized in the Shareholders' equity	(4,801 )

## Dolphin

During February 2015 the Company through its subsidiaries, contributed an amount of US\$ 146 million in Dolphin. Such amount was also allocated to increase Dolphin's investment in IDBD. Consequently, the Company recognized a decrease in non-controlling interest for an amount of Ps. 21.0 million and an increase in equity attributable to holders of the parent.

	Ps. (in thousands)
Carrying value of non-controlling interest	20,950
Price paid for the non-controlling interest	-
Reserve recognized in the Shareholders' equity	20,950

## Sale of Associates

On February 5, 2014, the Company, through Ritelco S.A ("Ritelco"), sold its interest in Bitania 26 S.A., 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 million which are shown in the line "Other operating results, net" in the Statements of income.

## BACS Banco de Crédito y Securitización S.A.

The Company through Tyrus S.A. ("Tyrus"), subscribed a purchase-sale agreement of shares of BACS Banco de Crédito y Securitización S.A. ("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. The advance payment related to this transaction is disclosed in "Trade receivables and Other receivables". In addition, on June 17, 2015, we subscribed convertible notes, issued by BACS for a nominal value of 100,000,000, which are convertible into common stock.

## Rigby Capital reduction

On October 17, 2014, Rigby reduced its capital stock by distributing among existing shareholders, at a pro-rata to their shareholdings, the gain made on the sale of the Madison building. The total amount distributed was US\$103.8 million, of which the Company received US\$77.4 million (US\$ 26.5 million through IRSA International LLC and US\$ 50.9 million through IMadison LLC) and US\$ 26.4 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. This reversal has been recognized in the line "Other operating results, net" in the Statements of income.

Fiscal year ended June 30, 2014

Subscription of shares of Avenida.

On August 29, 2013, the Company, through Torodur, subscribed 3,703,704 shares of Avenida, representing 24.79% of its outstanding capital. At that moment, this company had neither activity nor significant assets. Additionally, the Company acquired a warrant to increase its interest in Avenida up to 37.04%. The transaction price was Ps.13 million, which was fully paid. After acquisition, Avenida established a Company named "Avenida Compras S.A.", a Company incorporated in Argentina and engaged in e-commerce activity. Avenida owns 100% of Avenida Compras S.A.

Stock call Option agreement for Arcos del Gourmet S.A.

On September 16, 2013, IRSA Commercial Properties entered into an agreement with Messrs. Eduardo Giana, Pablo Bossi and Patricio Tobal (non-controlling shareholders of Arcos Gourmet S.A.), whereby the latter granted to IRSA Commercial Properties an exclusive and irrevocable option to purchase 10% of the equity interest in Arcos del Gourmet S.A. The term to exercise the option runs from the execution of the agreement to December 31, 2018. The stock purchase price, in the event option is exercised, is US\$ 8.0 million.

Furthermore, in the mentioned agreement a payment of a fixed amount of Ps.2.0 million was arranged, which was cancelled, and another variable amount payable monthly, which results from applying 4.5% on the amounts accrued in each previous calendar month for rental and right of admission, net of certain expenses, during 5 years counted from the opening of the shopping mall, in relation to the assignment of rights to earn dividends of Arcos del Gourmet S.A. during such period.

Additional acquisition of non-controlling interest

IRSA Commercial Properties

During the year ended June 30, 2014, the Company, through IRSA, acquired an additional equity interest of 0.02% in IRSA Commercial Properties for



a total consideration of Ps. 1.2 million. As a result of this transaction, the non-controlling interest was reduced by Ps. 0.2 million and the interest attributable to the shareholders' of the controlling parents was reduced by Ps. 1.0 million. The effect on shareholders' equity of this change in the equity interest in IRSA Commercial Properties is summarized as follows:

	Ps. (in thousands)
Carrying value of non-controlling interest acquired by the Company	182
Price paid for the non-controlling interest	(1,208 )
Reserve recognized in the Shareholders' equity	(1,026 )

#### Acquisition of common shares of Condor

On January 9, 2014, the Company, through its subsidiary, Real Estate Strategies L.P. ("RES"), granted a loan to Condor for an amount of US\$ 2.0 million. This loan included a conversion option whereby RES was allowed to apply the aggregate amount of the loan to purchase common shares of Condor under a "Subscription Rights Offering" or convert the loan directly into common shares of Condor. Additionally, from February 2012, the Company holds two financial instruments in Condor, preferred shares and warrants, which are still held as of the balance sheet date. On June 6, 2014, RES exercised its conversion right to acquire 1,250,000 common shares at US\$ 1.60 per share. Because of this acquisition, the Company, through RES, acquired a 26.9% equity interest in Condor.

The fair value of the Company's investment in Condor was based on the fair value of its net assets. Condor's main assets consist of 65 hotels in United States operated by various hotel chains. The Company has allocated the price paid at the fair value of net assets acquired based on the information available as of the balance sheet date. Such fair value amounted to Ps. 31.5 million, resulting in a gain on the acquisition of Ps.15.4 million, which has been recognized under "Equity interest in associates and joint ventures" in the income statement for fiscal year ended June 30, 2014.

#### Sales and acquisitions of investment properties

On November 15, 2013, we sold the 12th floor and two parking units of Maipú 1300 Building and two parking units of Libertador 498 Building. The total price for the transaction was Ps.9.0 million (US\$1.5 million). Such transaction generated a gain before tax of approximately Ps.7.5 million.

On January 14, 2014, we sold the 11th floor and seven parking units of Maipú 1300 Building. The total price for the transaction was Ps.9.6 million (US\$1.4 million). Such transaction generated a gain before tax of approximately Ps.7.9 million.

On January 24, 2014, we sold the seventh floor and 28 parking units of Bouchard 551 Building. The total price for the transaction was Ps.124.6 million, equivalent to US\$16.0 million. Such transaction generated a gain before tax of approximately Ps.99.9 million.

On April 1, 2014, we sold the fifth and sixth floor and complementary units in Costeros Dique IV Building. The total price for the transaction was Ps.12.4 million (US\$1.5 million). Such transaction generated a gain before tax of approximately Ps. 10.5 million.

On April 7, 2014, we sold the 21th and 22th floor, two parking units of Maipú 1300 Building and four parking units of the Libertador 498 Building. The total price of the transaction was Ps.24.1 million (US\$3.0 million). Such transaction generated a gain before tax of approximately Ps.20.2 million.

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On April 10, 2014, we sold the second floor of Avenida de Mayo 589 building and ten parking units of the Rivadavia 565 Building. The total price of the transaction was Ps.24.2 million (US\$3.0 million). Such transaction generated a gain before tax of approximately Ps.20.3 million.

On May 6, 2014, we sold the Constitución 1159 Building. The total price of the transaction was Ps.23.3 million (US\$2.9 million). Such transaction generated a gain before tax of approximately Ps.13.4 million.

On May 14, 2014, we sold to Transportadora de Caudales Juncadella the unit 449 of the eighth floor of Bouchard 551 Building. The price of the transaction was Ps.61.8 million (US\$7.7 million). Such transaction generated a gain before tax of approximately Ps.50.3 million.

On May 19, 2014, we sold to Inco Sociedad Anónima de Inversión, Industria y Comercio a unit in the ground floor of the Maipú 1300 Building. The price of the transaction was Ps.6.5 million (US\$0.8 million). Such transaction generated a gain before tax of approximately Ps.5.5 million.

The properties mentioned above were classified as investment properties until the above-mentioned transactions were executed, which represents a gross lease area of approximately 10,816 m2.

All sales mentioned above led to a combined profit for the Company of Ps.236 million, disclosed within the line "Gain from disposal of investment properties" in the statement of comprehensive income.

On May 22, 2014, IRSA Commercial Properties acquired commercial premises with an area of 40 square meters, adjacent to our shopping Alto Palermo, located on the ground floor of the building located in Santa Fe Av. 3255/57/59 for US\$ 3.8 million.

Fiscal year ended June 30, 2013

Additional acquisition of non-controlling interest

IRSA Commercial Properties

During the fiscal year ended June 30, 2013, the Company, through IRSA and E-Commerce Latina S.A., acquired an additional equity interest of 0.1% of IRSA Commercial Properties for a total consideration of Ps. 2.3 million. As a result of this transaction, the non-controlling interest was reduced by Ps. 0.8 million and the interest attributable to the shareholders' of the controlling parents was reduced by Ps. 1.5 million. The effect on shareholders' equity of this change in the equity interest in IRSA Commercial Properties is summarized as follows:

	Ps. (in thousands)
Carrying value of non-controlling interest acquired by the Company	824
Price paid for the non-controlling interest	(2,364 )
Reserve recognized in the Shareholders' equity	(1,540 )

Arcos del Gourmet S.A. (Arcos)

On June 7, 2013, the Company, through IRSA Commercial Properties, acquired an additional 1.815% equity interest of its controlled company Arcos, for a total amount of US\$ 0.8 million. The amount recorded of the non-controlling interest in Arcos at the acquisition date was Ps. 7,357 (representing 11.815% of the ownership interest). As a result of this transaction, the non-controlling interest was increased in Ps. 857 and the interest attributable to the shareholders' of the controlling parents was reduced by Ps. 3,687. The effect on shareholder's equity of the parent of this change in the equity interest in Arcos during fiscal year 2013 is summarized as follows:



	Ps. (in thousands)
Carrying value of the equity interests acquired by the Company	857
Price paid for the non-controlling interest	(4,544 )
Reserve recognized in the parent's equity due to the acquisition	(3,687 )

#### Acquisition of equity interest in joint venture

On November 29, 2012, IRSA Commercial Properties acquired shares of common stock, representing 50% of Entertainment Holdings S.A. ("EHSA") for Ps.25.9 million. Additionally, IRSA Commercial Properties paid Ps.6.1 million, subject to the acquisition of the remaining 50% of the shares of La Rural S.A. ("LRSA"). According to terms and conditions of the agreement, the amount paid will be returned to the Company, in case mentioned acquisition is not completed. Under the acquisition agreement, IRSA Commercial Properties is entitled to exercise joint control over EHSA. EHSA is an Argentine company whose main asset consists of an indirect interest of 50% in the capital and voting rights of LRSA, whereby it has joint control over this company together with Sociedad Rural Argentina ("SRA") who owns the remaining 50%. Thus, IRSA Commercial Properties is the owner of an indirect interest of 25% in LRSA, whose main asset consists of an usufruct agreement on the Predio Ferial de Buenos Aires, located between Cerviño, Sarmiento, Santa Fe Avenues and Oro street, in the city of Buenos Aires (the "Predio Ferial") entered into with SRA, owner of such Predio Ferial. The amount of Ps. 6.1 million has been included as an asset, in the line trade and other receivables together with accrued interest.

The fair value of the IRSA Commercial Properties' investment in the joint venture was determined based on the fair value of EHSA's net assets, with the rights of use being the main asset. IRSA Commercial Properties has allocated the price paid at the fair value of the net assets acquired. Such allocation and the goodwill were recognized under the line "Investments in associates and joint venture" in the statement of financial as of June 30, 2013.

The fair value of the rights of use has been determined by the application of the discounted cash flow method. This estimate considered a discount rate that reflects the market assessments regarding uncertainties in terms of the cash flow amount and timing. The amount of net future cash flows was estimated based on the specific features of the property, the agreements in force, market information and future forecasts as of the valuation date. Net income forecasts, revenues growth rates and discount rates are among the most important assumptions used in the valuation.

#### Disposal of financial assets

During the year ended June 30, 2013, the Company sold 17,105,629 ordinary shares of Hersha for a total amount of US\$ 92.5 million. Therefore, the Company's equity interest in Hersha's capital stock decreased from 9.13% (at the beginning of the year) to 0.49%.

In November and December 2012, the Company sold all of its shareholdings in NH Hoteles S.A. (138,572 shares for €0.38 million) and in NH Hoteles S.A. (387,758 shares for US\$1.4 million).

In December 2012, IRSA sold all of its shareholdings in Metrovacesa F (1,238,990 shares for €2.7 million); Metrovacesa SM (229,995 shares for €0.5 million) and Metrovacesa F (919,087 shares for US\$2.7 million).

#### Sales of investment properties

On August 31, 2012, we sold certain functional units of "Libertador 498" Building of the Autonomous City of Buenos Aires. The price for the transaction was Ps.15.0 million, which was paid upon the execution of the title conveyance

deeds. This transaction generated a gain of Ps. 12.7 million.

On September 14, 2012, we sold certain functional units on floors 18 and 19, as well as parking areas, of Bouchard 551 Building. The price for the transaction was US\$ 8.5 million, which was paid upon execution of the conveyance deed. This transaction generated a gain of Ps. 18.4 million.

On October 4 and 11, 2012, we sold several functional units (stores and parking spaces) of “Libertador 498” Building. The price for the transaction was Ps. 29.4 million, which has been completely collected. This transaction generated a gain of Ps. 24.9 million.

On January 8, 2013, we sold certain functional units (stores and parking spaces) of “Costeros Dique IV” Building. The price for the transaction was Ps. 9.2 million. This transaction generated a gain of Ps. 7.8 million.

On May 8, 2013, we sold the 17th floor and two parking units of Maipú 1300 Building and two parking units of Libertador 498 Building. The price for the transaction was Ps. 7.8 million (US\$ 1.5 million). This transaction generated a gain of Ps. 6.0 million.

On May 20, 2013, we sold the 6th floor, two parking units of Maipú 1300 Building and two parking units of Libertador 498 Building. The price for the transaction was Ps. 7.6 million (US\$ 1.45 million), which has been completely collected. This transaction generated a gain of Ps. 6.0 million.

On June 28, 2013, we sold the fourth, fifth, and sixth floors and 56 parking units of Bouchard 551 Building. The price for the transaction was Ps. 148.7 million, equivalent to US\$ 27.6 million. This transaction generated a gain of Ps. 108.0 million.

The properties mentioned above were classified as investment properties until the above-mentioned transactions were executed, which represents a gross lease area of approximately 14,442 square meters.

All sales mentioned above led to a combined profit for the Company of Ps. 184 million, disclosed within the line “Gain from disposal of investment properties” in the statement of comprehensive income.

#### Acquisition of Rigby 183 LLC

On November 27, 2012, the Company, through its subsidiary IRSA International LLC, acquired an additional equity interest of 25.5% in Rigby’s capital stock, thus taking control over said company. The goodwill from the acquisition, which amounts to Ps. 45.7 million, is attributable to the synergies expected to be achieved by combining the Company’s and Rigby’s operations.

The acquisition-related costs, which amounted to Ps. 2.6 million, were charged under “General and Administrative Expenses” line in the statement of comprehensive income.

The fair value of the investment property acquired is Ps. 679.2 million and was assessed by a qualified independent appraiser. The fair value of trade

and other receivables amounts to Ps. 2.3 million, including trade receivables in the amount of Ps. 0.1 million. As of the acquisition date, the Company estimates that these receivables are recoverable. The fair value of the non-controlling interest in Rigby, an unlisted company, has been determined on a proportional basis to the fair value of net acquired assets.

The Company has recognized gains of Ps. 124.1 million derived from the reassessment of the fair value of the 49% interest held in Rigby before the business combination. In addition, all cumulative currency translation gains (losses) accumulated in shareholders' equity from the interest held in Rigby before the business combination (Ps. 12.9 million) were charged to income. These gains were disclosed under "Other operating results, net" line in the statement of comprehensive income.

The revenues Rigby has generated since November 27, 2012 and that have been disclosed in the consolidated statement of comprehensive income amount to Ps. 40.9 million. Rigby has also run a net gain of Ps. 8.1 million during said period. If Rigby had been included in the consolidation since July 1st, 2012, the Company's consolidated statement of comprehensive income would have shown pro-forma revenues in the amount of Ps. 2,202.9 million and pro-forma net income of Ps. 297.5 million.

#### Disposal of joint ventures

On June 28, 2013, IRSA sold to Euromayor S.A. de Inversiones 100% of its equity interest in Canteras Natal Crespo S.A., accounting for a 50% interest in that company's capital stock for an aggregate amount of US\$ 4.2 million; out of that amount, US\$ 1.4 million was cashed in July 2013, with the balance being payable as follows: US\$ 2.4 million on March 31, 2014 and US\$ 0.4 million against delivery to IRSA of certain lots in the development to be carried out in Canteras Natal Crespo S.A.'s property, or in cash, what IRSA decides. IRSA was granted a security interest on the 100% of Canteras Natal Crespo S.A.'s shares to secure payment of the remaining balance.

#### Disposal of subsidiaries

During the year ended June 30, 2013, the Company sold to Doneldon S.A. 100% of Sedelor S.A.'s, Alafox S.A.'s and Codalis S.A.'s capital stock, all of them companies incorporated in the Republic of Uruguay, with no business activity. Then, the Company sold to Cresud the 100% of Doneldon S.A.'s capital stock.

#### Transactions and authorizations pending

##### Paraná plot of land

On June 30, 2009, the Company, through IRSA Commercial Properties, subscribed a Letter of Intent by which it stated its intention to acquire from WalMart Argentina S.A. a plot of land of about 10,022 square meters located in Paraná, Province of Entre Ríos, to be used to build, develop and operate a shopping center or mall.

On August 12, 2010, the purchase agreement was executed. The purchase price was US\$ 0.5 million to be paid as follows: (i) US\$ 0.05 million had been settled as prepayment on July 14, 2009, (ii) US\$ 0.1 million was settled upon executing such agreement, and (iii) US\$ 0.35 million will be paid upon executing the title deed. The mentioned payments were recorded as an advance under "Trade and other receivables" line.

On December 29, 2011, possession of the real estate was granted, and a minute was signed in which the parties agreed that the deed transferring ownership would be granted on June 30, 2012, or within 60 consecutive days from the date in which the selling party evidences with a certified copy before the buying party that the real estate is not subject to any encumbrance, burden, limit or restriction to the ownership, except for the electroduct administrative easement in

favor of EDEER S.A..

On June 29, 2012, the parties have agreed to extend the term for the execution of the title conveyance deed, which shall be executed within 60 days from the date the seller provides reliable notification to the buyer that the property is not subject to any levy, encumbrance, restrictions on ownership, except for the right of way already mentioned. As of the date of this annual report, evidence of such notice has not been provided.

#### Acquisition of a commercial center goodwill

The Company, through IRSA Commercial Properties, has signed an offering letter on December 2007, for acquiring building and running a commercial center in a real estate owned by INC S.A. (“INC”), located in the City of San Miguel de Tucumán, Province of Tucumán. The price of this transaction was US\$ 1.3 million. Out of this total, US\$ 0.05 million were paid. The mentioned payment was recorded as an advance under “Trade and other receivables” line.

#### Capital Expenditures

Fiscal Year 2015. During the fiscal year ended June 30, 2015, we invested Ps. 532.3 million, mainly related to: (a) improvements in our Sheraton Libertador, Intercontinental and Llao Llao hotels (Ps. 1.2 million, Ps. 9.0 million and Ps. 4.5 million, respectively), (b) Ps. 14 million allocated to advances for the acquisition of investments in general, (c) Ps. 35 million related to the acquisition of furniture and fixtures, machinery, equipment, vehicles 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, (d) Ps. 60.4 million related to improvements in our shopping centers, (e) Ps. 5.6 million related to improvements to our offices and other rental properties, (f) Ps. 214.6 million related to the acquisition of “La Adela”, (g) 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. 318.4 million, mainly due to (a) 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) 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. 24.0 million allocated to improvements of our offices and other rental properties, and (g) Ps. 0.5 million related to the acquisition of land reserves.

Fiscal Year 2013. During the fiscal year ended June 30, 2013, we invested Ps. 920.9 million, mainly due to (a) improvements in our Sheraton Libertador, Intercontinental and Llao Llao hotels for (Ps. 0.9 million, Ps. 2.6 million and Ps.0.4 million, respectively), (b) acquisition of furniture and fixtures, machinery, equipment, and facilities for Ps. 11.6 million, (c) improvements made to our shopping centers for Ps. 56.9 million, (d) development of properties for Ps. 144.2 million, corresponding Ps. 117.9 million to “Distrito Arcos” project and Ps. 26.3 million to “Alto Comahue” project, (e) Ps. 15.8 million allocated to advances for the acquisition of investments in general, (f) improvements in our office buildings and other rental properties for Ps. 7.6 million, (g) the purchase of an additional 25.5% equity interest in Rigby’s capital stock for Ps. 679.2 million, and (h) the acquisition of land reserves for Ps. 1.8 million.

## Recent Developments

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### Investment in IDBD

On July 6, 2015, the arbitrator granted an injunction requested by Extra, therefore Dolphin appointed only three directors for the next meeting and may appoint such number of directors until the arbitrator issues a final decision about who is the purchaser under the BMBY process.

On July 9 and 16, 2015, Dolphin submitted certain clarifications to the Proposal Sent to IDBD and DIC dated June 29, 2015.

On July 9, 2015, the main clarifications were as follows:

- The termination or expiration of the Proposal to IDBD and DIC would not repeal the commitments undertaken by Dolphin under the proposal submitted by Dolphin to IDBD on May 6, 2015 always provided that such commitments continued in full force and effect subject to the proposed terms, or Dolphin's remaining commitment to inject NIS8.5 million in IDBD pursuant to its irrevocable proposal dated December 29, 2014.
- A further condition would be added to the Proposal to IDBD and DIC whereby if Dolphin's interest in the rights public offering were lower than NIS8.5 million, Dolphin would remain obliged vis-à-vis IDBD to inject the remaining amount arising from subtracting NIS8.5 million and the amount effectively injected at this instance by Dolphin.
- IDBD would replace its commitment to exercise DIC's Series 1 warrants for NIS92.5 million with the commitment to exercise the Series 1 warrants for at least the amount that results from subtracting (a) the Capital Contribution Amount; less (b) NIS100 million, always provided that such amount does not exceed NIS92.5 million.

On July 13, 2015, Dolphin extended the maturity of the Proposal to IDBD and DIC until July 16, 2015. In addition, on July 16, 2015, Dolphin submitted additional clarifications to the Proposal to IDBD and DIC dated June 29, 2015 and July 9, 2015, which provided as follows:

- Dolphin agrees that the new shares to be acquired by Dolphin or any entity controlled by Eduardo Sergio Elsztain under the public offering of shares to be made by IDBD during October 2015 would not grant to it the right to participate in the Tender Offer always provided that such new shares are still held by Dolphin or an entity controlled by Eduardo Sergio Elsztain. Notwithstanding, nothing will prevent Dolphin and/or the entity controlled by Eduardo Sergio Elsztain that holds such new shares to be acquired under the public offering to be made in October 2015 by IDBD from freely disposing of them.

On July 16, 2015, IDBD's Board of Directors approved a capital increase by means of a public offering pursuant to the terms proposed by Dolphin in the Proposal to IDBD and DIC, and to exercise DIC's warrants, all based on Dolphin's irrevocable commitment to participate in the referred capital increase. IDBD plans to carry out the public offering between October 1 and November 15, 2015, subject to the company's corporate approvals, other statutory consents required and the fact that the exercise of DIC's warrants can be made pursuant to the terms and conditions set forth in Dolphin's proposal.

On July 16, 2015, DIC's Board of Directors accepted the Proposal to IDBD and DIC and instructed its management to take such steps as necessary in order to make a rights offering pursuant to Dolphin's proposal. On August 28, 2015, DIC published a shelf offering report for the issuance of rights to its shareholders. On September 6, 2015, DIC completed the rights offering process, issuing four series of warrants to its shareholders, which are exercisable into DIC shares. As of the date hereof, IDBD has not completed the capital injection in DIC.



On August 16, 2015, the Arrangement Trustees submitted a petition to the Tel-Aviv Jaffo Court for it to determine that: (a) IFISA would be subject to the commitments in the Arrangement jointly and severally with Dolphin; (b) the shares held by IFISA or any other company controlled by Eduardo Sergio Elsztain (including Dolphin) would not be eligible to take part in the Tender Offer; and (c) the shares held by any company controlled by any of the controlling shareholders of IDBD, including any corporations controlled by Eduardo Sergio Elsztain (including Dolphin) and transferred to other entities would not be eligible to take part in the Tender Offer. On August 31, 2015, the competent court asked the Arrangement Trustees to make a supplementary filing to the one dated August 16, 2015, identifying the parties to whom such request was addressed, which filing was made on the above mentioned date. On September 7, 2015 the court dismissed the Arrangement Trustees' filing for failure to submit the supplementary filing requested by the competent court on August 31, 2015.

On August 17, 2015, the Arrangement Trustees submitted to IDBD, its Board of Directors, Dolphin and Extra (among others) an alternative scheme to the one proposed by Dolphin on May 27, 2015 as part of Dolphin's and Extra's obligations under the Tender Offer (the "Trustees' Proposal") which was filed with the competent court. The Trustees' Proposal provided as follows:

- Replacement of the obligation to carry out Tender Offers for a total of NIS512 million with the obligation by Dolphin and Extra (and/or their related parties) to inject NIS512 million in IDBD against the issuance of bonds. The NIS512 million would be injected in two tranches of NIS256 million each (the "First Tranche" and the "Second Tranche", respectively).
- i) The First Tranche would be completed by December 31, 2015, and against its injection IDBD would issue in favor of such investors other than Dolphin, Extra and/or any of their related parties (the "Minority Investors") bonds for a principal amount of NIS256 million, by reopening Series 9 ("Series 9"), or by issuing a new series of bonds under terms and conditions replicating those of Series 9 ("IDBD's New Bonds").
- ii) The Second Tranche would be completed by January 31, 2016 and against its injection the Minority Investors would receive IDBD's New Bonds for a principal amount of NIS256 million.
- iii) Following the exercise of the First Tranche and Second Tranche, Minority Investors would deliver 64 million shares to the obligors under the Tender Offer.
- iv) In addition, on January 31, 2016, Dolphin and Extra (or any of their related parties) would purchase the remaining shares held by the Minority Investors for a total of NIS90 million, payable on that same date.
- If the sale of Clal is consummated, IDBD will carry out a partial bond repurchase offering at par value among all series of bonds.
- The Trustees' Proposal would be carried out before IDBD launches a new issuance of shares or rights or, alternatively, each new share or right issued would not be part of the proposal as submitted.
- The Trustees' Proposal is not approved by the Minority Investors; and such approval would be sought after the proposal is accepted by IDBD, Dolphin and Extra.

On August 30, 2015, IDBD sent a request on Dolphin and Extra for them to express their position on the Trustees' Proposal, without setting a specific date for their response.

On September 3, 2015 Dolphin rejected the Trustees' Proposal and, therefore, it is invalid as of the date of issuance of these Financial Statements.

On September 9, 2015, The Arrangement Trustees filed to the Tel Aviv District Court an amended application for instructions (the "Application of the Arrangement Trustees"), to which Dolphin, IFISA, Extra and others were added as parties, requesting Court to instruct that IFISA is obliged to all the Investors' obligations under the Arrangement; that the IDBD shares held by any entity controlled by Eduardo Sergio Elsztain are not entitled to participate in the tender offers and that IDBD shares held or were held by Eduardo Sergio Elsztain and Mr. Ben Moshe and/or by any other entity controlled by them, and were transferred or will be transferred to others, are also not entitled to participate in the tender offers.

On September 24, 2015, the arbitrator granted the arbitration award related to the BMBY process, pursuant to which Dolphin and IFISA were designated as buyers in the BMBY process, and consequently Extra was designated as the seller; in the aforementioned framework Extra has to sell all the shares held in IDBD (92,665,925 shares) at a price of NIS1.64 per share.

On September 24, 2015, the Arrangement Trustees submitted to the Court an application for a temporary injunction prohibiting Dolphin, IFISA, Extra and other vehicle and/or their representatives to carry out any action or transactions regarding the Company's shares, until the Court's decision in the Application of the Arrangement Trustees, as described above.

On October 1, 2015, Dolphin and IFISA submitted to the Court their response to the Application of the Arrangement Trustees'. Dolphin asked the court to dismiss the Arrangement Trustees petition, and their position included the following arguments: (a) IFISA is not obliged to comply with Dolphin's obligations according to the Arrangement; (b) IFISA and any other corporation controlled by Eduardo Sergio Elsztain are eligible to participate as offerees in the Tender Offers according to the Arrangement and (c) The Arrangement Trustees' requirement regarding the eligibility of shares to participate in the tender offers should to be dismissed. Also, Dolphin undertook that upon the closing of the BMBY, 106.6 million shares held by it will not participate in the Tender Offers, as long as these shares are held by entities controlled by Eduardo S. Elsztain.

On October 7, 2015, the Arrangement Trustees submitted to the Court their response to Dolphin and IFISA concerning the Application of the Arrangement Trustees'.

Furthermore, on October 11, 2015, the BMBY process concluded and IFISA purchased all the shares of IDBD (92,665,925 shares) held by Extra, for a total consideration of approximately NIS152 million (equivalent to US\$39.7 million as of the date of the transaction). Upon the closing of the transaction, all Extra's directors in IDBD presented their irrevocable resignation to IDBD's Board of Directors and the Shareholders Agreement automatically terminated in accordance with its terms. Furthermore, on the same date, Dolphin pledged additional shares as security of the performance of the Tender Offers, rising the number to 64,067,710 pledged shares.

On October 19, 2015, Dolphin and IFISA submitted their response to Court regarding the Application of the Arrangement Trustees in which, among other things, Dolphin clarified that as the offeror in the Tender Offers, it does not intend and will not participate as an offeree in the Tender Offers. Notwithstanding, according to Dolphin's position, it has the right to offer to any other shareholder of IDBD, including entities controlled by Eduardo Sergio Elsztain, to purchase shares within the Tender Offers and also to sell shares to third parties (including those controlled by Eduardo Sergio Elsztain), and the shares being sold are able to participate as offerees in the Tender Offers, without derogating from Dolphin's undertakings according to which 106,600,000 shares held by it will not participate in the Tender Offers, as long as they are held by entities controlled by Eduardo Sergio Elsztain).

On October 20, 2015, the Court decided to grant declaratory remedies requested in the Application of the Arrangement Trustees, according to which:

- The shares held by Dolphin and any other company controlled by Eduardo Sergio Elsztain are not entitled to participate as offerees in the Tender Offers.
- The shares held or that were held by Dolphin and/or by companies controlled by Eduardo Sergio and which were transferred or will be transferred by them to other parties, will not be entitled to participate in the Tender Offers.
- These remedies will not apply to shares which were acquired from the minority shareholders within the framework of the trade in the stock exchange and which came into the possession of IFISA.

The Court rejected the request of the Arrangement Trustees to determine that IFISA is obliged to undertake all the commitments under the terms of the Arrangement, but stated that Dolphin violated its commitment to make IFISA to commit under the undertakings in accordance with the terms of the Arrangement. Dolphin and IFISA reported to IDBD that they intend to appeal the Court decision.

On October 26, 2015, and following the court decision dated October 20, 2015 and the declaratory remedies submitted, Dolphin and IFISA sent a letter to IDBD ("Dolphin and IFISA's Letter") that, according to their position, and as detailed in the letter: (a) The reservation prescribed by the court vis-à-vis the shares which were acquired from the minority shareholders in trading on the stock exchange and which came into the possession of IFISA, applies to the

127,441,396 shares of IDBD held by IFISA and 131,600 shares of IDBD held by Dolphin, which should be entitled to participate as an offeree in the Tender Offers; and (b) with respect of the 51,760,322 additional shares of IDBD presently held by Dolphin, originating in acquisitions from minority shareholders in IDBD, it may be interpreted from the judgement that, those shares cannot participate as an offeree in the Tender Offers, so long as they are held by Dolphin, however Dolphin is not prevented from selling these shares to any third parties, and that in such a case, that third party shall have the right to participate in the Tender Offers for those shares.

On October 29, 2015, the Arrangement Trustees filed an urgent application for a contempt of court order against Dolphin and IFISA (the "Application for Contempt") and to enforce them to follow the court's instructions of October 20, 2015, alleging that Dolphin and IFISA's letter, published by IDBD on October 27, 2015, which informed of the quantity of shares purchased from the minority shareholders within the framework of the trade in the stock exchange is contrary to the court's decision and thus Dolphin and IFISA are acting in contempt of court.

On October 29, 2015, Dolphin and IFISA filed an appeal to the Supreme Court, with respect to the court decision of October 20, 2015, also requesting to hold an urgent hearing on the appeal. The hearing on the appeal was scheduled for December 16, 2015.

On November 2, 2015, Dolphin and IFISA submitted their response to the Application for Contempt, requesting court to dismiss the application as the Contempt of Court Ordinance does not apply to declaratory remedies and as Dolphin and IFISA did not violate any court order.

On November 4, 2015, the Arrangement Trustees filed a rejoinder to Dolphin's and IFISA's response to the Application for Contempt, requesting the Court to clarify that the Reservation (as defined below) determined in the Court's decision dated October 20, 2015 shall apply exclusively in the case the following conditions apply: (1) that the shares were acquired in the market from the public; (2) the acquisition was made within the framework of trading on the TASE; and (3): that the shares are currently held by IFISA; accordingly, the Court was requested to clarify that the Dolphin's and IFISA's position as filed in the letter dated October 26, 2015 is not and cannot be the correct interpretation of the Judgment.

On November 4, 2015, Dolphin and IFISA filed their response to the rejoinder of the Arrangement Trustees, requesting the Court to dismiss the Arrangement Trustees' request to clarify the judgement.

On November 5, 2015, the Court decided to deny the Application for Contempt filed by Arrangement Trustees. However, the Court stated, in an obiter-dictum that Dolphin and IFISA's interpretation of the Reservation in the Decision dated October 20, 2015, within Dolphin and IFISA's letter, stand in contradiction insofar as with regard to the scope of the Reservation.

On November 5, 2015, the Arrangement Trustees sent a letter to Dolphin and IFISA, demanding them, in light of the Court's decision of the same day, to amend Dolphin and IFISA's letter and to inform the Securities Authority and IDBD that all the tender offers will be addressed to the minority shareholders of IDBD and that Dolphin and/or IFISA and any corporation under the control of Mr. Elsztain, will not be offerees in the tender offers and that every share which will be transferred by them to third party, if transferred, will also not be entitled to be an offeree in the tender offer.

On November 5, 2015, the Arrangement Trustees sent a letter to IDBD, demanding it, in light of the Court's decision of the same day, to amend Dolphin and IFISA's letter and to inform the public and the Securities Authority immediately that Dolphin and IFISA's Letter as published by IDBD, is inconsistent with the court's decision and that all the shares held by Dolphin and IFISA or any corporation within the Elsztain Group or which shall be purchased from those corporations, shall not carry a right to participate in the tender offers as an offeree.

On November 10, 2015, following the request of the ISA to IDBD, IDBD approached Dolphin and IFISA in order to obtain their position with regard to the amount of shares held by corporations controlled by Mr. Eduardo Sergio Elsztain and which are entitled to participate in the Tender Offers according to the Reservation in the Court's decision dated October 20, 2015 (the "First Decision"; the "Reservation") and following the Court's decision dated November 5, 2015 (the "Second Decision"). In response to this request, Dolphin and IFISA notified IDBD that their position, as expressed in Dolphin and IFISA's letter, remains unchanged.

On November 10, 2015, Dolphin and IFISA filed an application to the Supreme Court to schedule the hearing on the appeal, which was scheduled for December 16, 2016, to an earlier date, due to the fact that Dolphin has to publish a Tender Offer by December 31, 2015, in order to have a high level of certainty regarding the legal situation as soon as possible.

On November 12, 2015, IDBD reported that, at its request, Dolphin extended the validity of its commitment with regard to the public offering so that it will be performed no later than November 17, 2015 (instead of the original date of November 15, 2015), which was further extended until December 1, 2015. In addition, IDBD was notified by Dolphin, that discussions are being held between Dolphin and the Arrangement Trustees for a potential amendment to the Arrangement with respect to the Tender Offers, pursuant to which the undertakings to execute the Tender Offers will be transformed to an injection of funds into IDBD and bonds to be issued by IDBD instead of a potential public offering as mentioned above. IDBD further reported that the Arrangement Trustees sent a letter stating that the amendments to the Arrangement regarding the Tender Offers are not acceptable for the bondholders, and that the bondholders may convoke a bondholders' meeting to discuss such issues if IDBD's Board of Directors do not disapprove such proposal.

The Company is assessing its defense strategy, as well as the impact of the closing of the BMBY process with IFISA as the purchaser of the shares of IDBD held by Extra

On November 11, the lock-up under the TASE regulations expired, and therefore there are no shares restricted under this provisions as of the date of hereof.

#### Class Action Claim

In June 2015, an application for the court to approve the commencement of a class action (the "Class Action") was filed by four individuals who argue that they were among the creditors of IDBH and that as a result of IDBH's approved Arrangement they received shares in IDBD and that therefore they were entitled to participate in the Rights Offerings made in 2014 and 2015. The Class action was filed before the applicable courts of Israel against IDBD, Dolphin, Eduardo Sergio Elsztain, Extra and Mordechai Ben Moshe (in their capacities both as controlling shareholders of IDBD and as board members of IDBD) and against the members of IDBD's Board of Directors and alternate directors who were in office between 2014 and 2015. The amount of the claim is NIS1,048 million (equivalent to US\$277.6 million as of June 30, 2015).

As concerns the legal action, pursuant to the applicable laws the proceedings are divided into two stages: (i) the preliminary stage, in which the plaintiff pleads the court to allow the complaint to be admitted as a class action, in which the plaintiff shall prove by producing reasonable evidence that it satisfies the minimum requirements for the class action to qualify as such pursuant to the applicable laws; and (ii) if such requirements are met and the case is admitted as a class action, the substantive proceedings will start.

At present, the Class Action is at the preliminary stage.

Pursuant to the applicable laws the defendants have a 90-day term to file their defense (such term does not include the period from July 21 to September 5, 2015, when the Israeli courts are on recess and an eight days recess during the Jewish holiday of Sukot).

Based on the Israeli legal counsel, it is more likely than not that the Class Action will be dismissed against Dolphin.

In the application for Class Action, the plaintiffs argued, among other things, that IDBD's controlling shareholders and its Board of Directors acted in concert to frustrate the sale of Clal's shares to JT Capital Fund ("JT") and privileged their own interests, causing them material damages as under the terms of the Arrangement they would have been entitled to receive a larger payment had the above mentioned sale been consummated.

In addition, they sustain that the Rights Offerings made in 2014 and 2015 discriminated against the minority shareholders and were carried out without obtaining the required consents (given the personal interest of the controlling shareholders), resulting in the dilution of plaintiffs' rights' economic value.

#### Shares and Convertible Notes of BACS Banco de Crédito y Securitización S.A.

We, through Tyrus, subscribed a purchase-sale agreement of shares of BACS Banco de Crédito y Securitización S.A., representing an interest of 6.125%. The transaction amounts to US\$ 1.35 million. This operation is yet to be approved by the Banco Central de la República Argentina, according to regulations in force. The advance payment related to this transaction is disclosed in "Trade and other receivables".

On June 17, 2015, we subscribed Convertible Notes, issued by BACS Banco de Crédito y Securitización S.A. for a nominal value of Ps. 100.0 million, which are convertible into common stock.

#### Loan agreements with Inversiones Financieras del Sur S.A.

On July 28, 2015, our subsidiary Dolphin Netherlands granted a loan to IFISA, a company indirectly controlled by Eduardo Elsztain for an aggregate amount of US\$ 7.2 million, which will mature on July 2016 and will accrue interests at a rate of f Libor 1M + 3%.

In addition, on October 9, 2015, we, through our subsidiary Reig V L.P. ("Reig V") granted another loan for an aggregate amount of US\$40 million to IFISA, which will mature on October 2016 and will accrue interests at a rate of Libor 1M + 3%.

#### Repurchase of Notes Series V

On August 25, 2015, we repurchased a nominal amount of Ps. 113,762,000 of our Series V Notes for an aggregate amount of Ps.120.5 million, which were cancelled at maturity.

#### Sale of units in the Intercontinental Plaza Building

On September 10, 2015, IRSA Propiedades closed the sale to an unrelated third party of 5,963 square meters that represent seven floors of office space, 56 parking units and three storage units in the Intercontinental Plaza Building located in the neighborhood of Montserrat in the City of Buenos Aires. After such sale, 7,159 square feet remain in IRSA Propiedades' portfolio. The purchase price was Ps.324.5 million, which has been fully paid.

#### Issuance of Series I Notes

On September 18, 2015 IRSA Propiedades issued Series I Notes under its Global Note Program in an aggregate principal amount of Ps.407,260,000 (equivalent to US\$43,441,066.67). Series I Notes have a maturity of 18 months from its issue date, and will bear a mixed interest rate of 26.5% per year during the first three months, and Private Badlar Rate (Tasa Badlar Privada) plus 400 bps per year during the remaining period, payable on a quarterly basis.

#### Annual Shareholders Meeting.

On October 30, 2015, was held the Ordinary and Extraordinary Shareholders' Meeting in which was approved the following items:

- Consideration of documents contemplated in Section 234, paragraph 1, of the Argentine Companies Law No. 19,550 for the fiscal year ended June 30, 2015.
  - Consideration of Board of Directors' performance.

- Consideration of Supervisory Committee's performance.
- Consideration of compensation payable to the Board of Directors for \$18,596,284 (total compensation) for the fiscal year ended June 30, 2015. Delegation on the Board of Directors of powers to approve the Audit Committee's budget.
- Consideration of compensation payable to the Supervisory Committee for the fiscal year ended June 30, 2015.
- 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 renewal of delegation on the Board of Directors of the powers to determine the time and currency of issue and further terms and conditions of the notes to be issued under the Global Note Program for up to US\$ 300,000,000 currently outstanding, in accordance with the resolutions adopted at the Shareholders' Meeting dated October 31, 2011.

In addition it was approved to adjourn the Ordinary and Extraordinary Shareholders' Meeting to November 26, 2015, in order to consider and approve the following items:

- Treatment and allocation of net income for the fiscal year ended June 30, 2015. Consideration of payment of a cash dividend for up to \$72,000 thousand.
- Consideration of Special Merger Financial Statements of Unicity SA; Special Merger Financial Statements of Solares de Santa María SA; Special Spin-Off Financial Statements of E-Commerce Latina SA; Special Spin-off-Merger Financial Statements of E-Commerce Latina SA; Special Merger Individual Financial Statements of IRSA Inversiones y Representaciones Sociedad Anónima (IRSA) and Consolidated Financial Statements of IRSA for Merger with Solares de Santa María SA and Unicity SA and Spin-Off-Merger with E-Commerce Latina SA prepared as of June 30, 2015, as well as Supervisory Committee's and Auditor's Reports. Consideration of preliminary merger agreement with Solares de Santa María SA and Unicity SA and preliminary spin-off-merger agreement with E-Commerce Latina SA and further documents. Authorizations and delegations of powers. Appointment of representative to execute final agreement and carry out additional proceedings.

#### Sale of units in the Maipú 1300 Building

On November 6, 2015, we closed the sale to an unrelated third party of 864 square meters that represent two floors of office space, and 4 parking units. After such sale, 2,134 square feet remain in our portfolio. The purchase price was US\$ 3 million, which has been fully paid.

#### B. Business Overview

##### Operations and principal activities

We are one of Argentina's leading real estate companies in terms of total assets. We are engaged, directly and indirectly through subsidiaries, equity investees and joint ventures, in a range of diversified real estate-related activities in Argentina, including:

- the acquisition, development and operation of shopping centers,
- the acquisition and development of office and other non-shopping center properties primarily for rental purposes,
- the acquisition and operation of luxury hotels,



- the development and sale of residential properties,
- the acquisition of undeveloped land reserves for future development or sale, and
- selective investments outside Argentina.

We are the only Argentine real estate company whose shares are listed on the Mercado de Valores de Buenos Aires S.A. (“MERVAL”) through the BCBA and whose GDSs are listed on the New York Stock Exchange (“NYSE”).

During the fiscal year ended June 30, 2015, we recorded revenues from sales, leases and services for Ps. 2,515.4 million generating operating income of Ps. 2,515.4 million, whereas our total assets amounted to Ps. 9,629.4 million and our shareholders’ equity was Ps. 2,258.4 million.

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

As of June 30, 2015 we owned 29.99%<sup>1</sup> of Banco Hipotecario, one of the leading financial institutions in Argentina, 34.0% of the voting power of the U.S. REIT Condor and an indirect 49.0% of the Israeli company IDBD

We operate our business 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. 2,370.9 million and Ps. 2,286.1 million as of June 30, 2015 and 2014, respectively, representing 37% and 32% of our operating assets at such dates, respectively. Our Shopping Centers segment generated operating income of Ps. 1,190.2 million and Ps. 868.2 million for the financial years ended June 30, 2015 and 2014, respectively, representing 47% and 69%, of our consolidated operating income 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. 991.7 million and Ps. 846.3 million as of June 30, 2015 and 2014, respectively, representing 15% and 12% of our operating assets at such dates, respectively. Our Offices and Others segment generated operating income of Ps. 101.6 million and Ps. 163.4 million for the financial years ended June 30, 2015 and 2014, respectively, representing 4% and 13%, of our consolidated operating income 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. 611.9 million and Ps. 638.6 million as of June 30, 2015 and 2014, respectively, representing 9% and 9% of our operating assets at such dates, respectively. Our Sales and Developments segment generated operating income of Ps. 1,113.0 million and Ps. 244.5 million for the financial years ended June 30, 2015 and 2014, respectively, representing 44% and 19%, of our consolidated operating income 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. 171.7 million and Ps. 192.5 million as of June 30, 2015 and 2014, respectively, representing 3% of our operating assets at such dates. Our Hotels segment generated operating losses of Ps. (12.0) million and operating income of Ps. 11.0 million for the financial years ended June 30, 2015 and 2014, respectively, representing 0% and 1%, of our consolidated operating income for such years, respectively.

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

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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 investment in IDBD at fair value. This year we sold 74.5% of the office building located at 183 Madison Avenue, New York for a total amount of US\$ 185 million and we hold a 49.9% interest in a U.S. company, whose main asset is the “Lipstick Building” located in New York. In addition, jointly with subsidiaries, we hold 34.0% of Condor voting rights and we hold, through Dolphin Fund, 49.0% of the Israeli conglomerate IDBD, which is one of the largest and most diversified conglomerates of Israel, which participates, through its subsidiaries, in numerous markets and industry sectors, including real estate, retail, agricultural industry, insurance, telecommunications, etc. We intend to continue evaluating investment opportunities outside Argentina as long as they offer attractive investment and development options. Our International Segment had assets of Ps. 911.2million and Ps. 1,988.0 million as of June 30, 2015 and 2014, respectively, representing 14% and 28% of our operating assets at such dates, respectively. Our International segment generated operating income of Ps. 147.9 million and operating losses of Ps.(30.0) million for the financial years ended June 30, 2015 and 2014, respectively, representing 6% and (2%), of our consolidated operating income 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 carried on through Apsamedia. During fiscal year 2015, we increased equity interest in Banco Hipotecario from 29.77% to 29.99%, held in the form of Class D shares, which are currently entitled to three votes per share. As of June 30, 2015, our investment in Banco Hipotecario generated income for Ps. 143.3 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. 1,404.3 million and Ps. 1,255.0 million as of June 30, 2015 and 2014, respectively, representing 22% and 17% of our operating assets at such dates, respectively. Our Financial Operations and Others segment generated operating losses of Ps. (2.7) million and Ps. (2.6) million for the financial years ended June 30, 2015 and 2014, respectively, representing 0%, of our consolidated operating income for such years.

#### Business Strategy

As a leading company in Argentina dedicated 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.

#### 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 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 1000 retail companies and trademarks composing our selected group of tenants is of utmost importance, as it allows us to offer an adequate mix of tenants for each particular case.

#### Offices and Others

We believe there is currently substantial demand for high-quality office buildings in the City of Buenos Aires. 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 on a selective basis new opportunities to acquire or construct new rental office buildings.

#### Sales and Development.

We seek to purchase undeveloped properties in densely-populated areas and build apartment complexes offering green space 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. We also 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.

#### 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.

#### 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. This year we sold 74.5% of the office building located at Madison Avenue in the City of New York for a total amount of US\$ 185 million and we hold a 49.9% interest in a U.S. 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 34.0% of Condor Hospitality Trust REIT’s voting rights (NASDAQ: CDOR) and we hold, through Dolphin Fund, 49.0% of the Israeli company IDBD, which is one of the largest and most diversified investment groups in Israel, which participates, through its subsidiaries, in numerous markets and industry sectors, including real estate, retail, agricultural industry, insurance, telecommunications, etc. We intend to continue evaluating -on a selective basis- investment opportunities outside Argentina as long as they offer attractive investment and development options.

#### Financial Operations and Other.

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

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.

## Overview

### Shopping Centers

We are engaged in purchasing, developing and managing shopping centers through our subsidiary, IRSA Commercial Properties. As of June 30, 2015, IRSA Commercial Properties operated and owned majority interests in fifteen shopping centers in Argentina, seven of which are located in the City of Buenos Aires (Abasto, Alcorta Shopping, Alto Palermo, Patio Bullrich, Buenos Aires Design, Dot Baires Shopping and Distrito Arcos), two of which are located in the greater Buenos Aires metropolitan area (Alto Avellaneda and Soleil Premium Outlet) and the other ones are located in different Argentine provinces: 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 in the City of Córdoba, La Ribera Shopping in the City of Santa Fe (through a joint venture), and Alto Comahue in Neuquén.

As of June 30, 2015, we owned 95.80% of IRSA Commercial Properties. The remaining shares are held by the investor public and traded on the Bolsa de Comercio de Buenos Aires and the related ADRs are listed and traded on the NASDAQ under the ticker "IRCP."

As of June 30, 2015, IRSA Commercial Properties' shopping centers comprised a total of 333,911.5 square meters of gross leasable area (excluding certain space occupied by hypermarkets which are not our tenants). For fiscal year 2015, the occupancy rate of IRSA Commercial Properties shopping center portfolio was approximately 98.7%.

During fiscal year 2015 we opened 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, were Ps. 22.9 million and Ps. 11.7 million, respectively.

We centralized management of our shopping centers in IRSA Commercial Properties, which is responsible for providing common area electrical power, a main telephone switchboard, central air conditioning and other basic common area services.

The following table shows certain information concerning our IRSA Commercial Properties subsidiary's shopping centers as of June 30, 2015:

Date of Acquisition	Leasable Area sqm (1)	IRSA Commercial Properties' Interest	Occupancy Rate(2)	Accumulated as of fiscal year ended (4)	Annual Rental Income (4)	Book Value in thousands
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		(3)					2015	2014	2013	of Ps.)(5)
Shopping Centers (6)										
Alto Palermo	Nov-97	19,545.0	100.00	%	99.7	%	295,285	244,214	196,001	221,792
Abasto										
Shopping (7)	Jul-94	36,669.1	100.00	%	100.0	%	301,685	238,021	192,495	255,335
Alto Avellaneda	Nov-97	36,728.6	100.00	%	99.9	%	199,920	160,894	128,114	131,140
Alcorta										
Shopping	Jun-97	15,432.9	100.00	%	100.0	%	140,533	105,791	82,470	106,091
Patio Bullrich	Oct-98	11,636.2	100.00	%	100.0	%	98,359	79,374	66,424	112,426
Alto NOA	Mar-95	19,072.9	100.00	%	100.0	%	50,669	38,746	31,150	29,708
Buenos Aires										
Design	Nov-97	13,888.2	53.70	%	94.6	%	35,320	27,360	23,145	12,860
Alto Rosario (7)	Nov-04	28,395.6	100.00	%	97.9	%	137,639	100,072	78,743	115,014
Mendoza Plaza	Dec-94	42,039.5	100.00	%	96.1	%	91,694	74,110	61,928	101,657
Dot Baires										
Shopping	May-09	49,847.9	80.00	%	99.7	%	199,474	158,306	128,196	377,260
Córdoba										
Shopping Villa										
Cabrera	Dec-06	15,328.0	100.00	%	99.8	%	54,445	39,763	32,314	61,111
Soleil Premium										
Outlet	Jul-10	13,993.1	100.00	%	99.4	%	59,366	44,178	27,927	84,301
La Ribera										
Shopping (8)	Aug-11	9,750.3	50.00	%	99.3	%	13,068	9,360	7,236	21,185
Distrito Arcos										
(9)	Dec-14	12,127.3	90.00	%	97.3	%	22,934	-	-	229,800
Alto Comahue										
(10)	Mar-15	9,456.9	99.10	%	94.2	%	11,690	-	-	309,103
TOTAL										
GENERAL		333,911.5			98.7	%	1,712,081	1,320,189	1,056,143	2,168,783

(1) Total leasable area in each property. Excludes common areas and parking spaces.-

(2) Calculated dividing occupied square meters by leasable area on the last day of the fiscal year.-

(3) IRSA Commercial Properties' effective interest in each of its business units. IRSA has a 95.80% interest in IRSA Commercial Properties.

(4) Corresponds to total leases, consolidated according to IFRS. Does not include income relating to common maintenance expenses and collective promotion fund.

(5) Cost of acquisition plus improvements, less accumulated depreciation, plus adjustment for inflation, if applicable.

(6) Through IRSA Commercial Properties.

(7) Excludes Museo de los Niños (3,732 square meters in Abasto and 1,261 square meters in Alto Rosario).

(8) We jointly own La Ribera Shopping through a joint venture and therefore its results of operations are not consolidated with ours.

(9) Opening was on December 18, 2014

(10) Opening was on March 17, 2015.



## Tenant Retail Sales(1)

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,		
	2015	2014	2013
	(In Ps.)		
Abasto	3,150.2	2,447.0	1,939.0
Alto Palermo	2,662.1	2,111.2	1,609.8
Alto Avellaneda	2,895.1	2,333.8	1,868.8
Alcorta Shopping	1,474.7	1,120.4	822.7
Patio Bullrich	888.5	689.3	548.3
Alto NOA	1,068.6	766.1	609.2
Buenos Aires Design	326.0	272.2	241.5
Mendoza Plaza	1,906.7	1,514.7	1,206.7
Alto Rosario	1,951.8	1,378.3	1,060.2
Córdoba Shopping- Villa Cabrera	756.0	546.6	432.9
Dot Baires Shopping	2,570.6	2,008.3	1,566.6
Soleil Premium Outlet Shopping	938.4	664.0	366.4
La Ribera Shopping	398.1	280.8	209.9
Distrito Arcos (2)	339.9	0.0	0.0
Alto Comahue (3)	182.1	0.0	0.0
Total Sales	21,508.7	16,132.8	12,482.0

## Notes:

Retail sales based upon information provided to us by tenants and past owners. The amounts shown reflect 100% (1) of the retail sales of each shopping center, although in certain cases we own less than 100% of such shopping centers. Excludes sales from the booths and spaces used for special exhibitions.

(2) Opening was on December 18, 2014.

(3) Opening was on March 17, 2015.

## Expiration of Lease Agreements

The following table shows a schedule of lease expirations for our shopping center properties for leases in place as of June 30, 2015, assuming that none of the tenants will exercise renewal options or terminate their lease earlier:

Lease Agreements Expiration as of June 30:	Number of Lease Agreements to Expire (1)	Square Meters of Leases to Expire (sqm)	Square Meter Percentage of Leases to Expire (%)	Amount of Lease Agreements to Expire (Ps.)	Percentage of Lease Agreements to Expire (%)
2016	633	105,333.7	31	% 321,158,626.4	38
2017	413	62,978.6	19	% 209,324,015.3	25
2018	393	66,763.5	20	% 205,918,292.3	24
2019 and subsequent years	215	98,835.7	30	% 106,729,754.2	13
Total (2)	1,654	333,911.5	100	% 843,130,688.2	100

(1)



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Includes vacant stores relating to leases expired as of June 30, 2015. A lease may be associated to one or more stores.

(2) Includes the base rent and does not reflect or ownership interest in each property.

(3) Annual basic rent as of June 30, 2015 under leases subject to expiration.

New Agreements and Renewals:

The following table shows certain Information about lease agreements as of June 30, 2015:

Type of Business	Number of Agreements	Annual Base Rent Amount (Ps.)	Annual Admission Rights Amount (Ps.)	Average Annual Base Rent per sqm New and renewed	Average Annual Base Rent per sqm Former agreements	Number of non-renewed agreements (1)	Non-renewed agreements (1) Annual Base Rent Amount (Ps.)
Clothes and footwear	391	223,614,392.90	61,844,417.00	5,314.50	4,036.40	581	307,355,562.50
Miscellaneous	90	47,196,397.60	19,970,450.30	3,160.80	2,415.70	137	49,714,790.90
Restaurant	88	35,261,497.90	6,666,073.80	3,848.60	2,698.70	125	53,098,038.70
Home	42	15,560,441.90	4,102,247.30	2,822.10	2,815.30	50	20,824,495.80
Services	27	7,061,303.30	978,818.40	1,541.90	1,155.50	42	9,410,003.90
Technology	23	15,404,643.00	1,849,358.60	2,500.70	2,122.50	31	35,472,465.20
Entertainment	5	1,636,560.00	5,000.00	150.4	86.2	22	21,520,094.60
Total	666	345,735,236.60	95,416,365.40	3,705.50	2,841.70	988	497,395,451.60

(1) Includes vacant stores as of June 30, 2015. Leasable Area with respect to such vacant stores is included under the type of business of the last tenant to occupy such stores.

## Occupancy Rate

The following table shows the occupancy rate as a percentage of gross leasable area as of the closing dates of the fiscal years set forth below:

	As of June 30,		
	2015	2014	2013
Abasto	100.0%	99.4 %	99.8 %
Alto Palermo	99.7 %	98.9 %	98.4 %
Alto Avellaneda	99.9 %	99.5 %	99.9 %
Alcorta Shopping	100.0%	99.8 %	99.8 %
Patio Bullrich	100.0%	99.6 %	99.7 %
Alto NOA	100.0%	99.7 %	99.7 %
Buenos Aires Design	94.6 %	92.3 %	99.0 %
Mendoza Plaza	96.1 %	95.0 %	97.7 %
Alto Rosario	97.9 %	97.0 %	97.1 %
Córdoba Shopping Villa Cabrera	99.8 %	99.8 %	100.0%
Dot Baires Shopping	99.7 %	99.7 %	99.4 %
Soleil Premium Outlet	99.4 %	100.0%	100.0%
La Ribera Shopping	99.3 %	99.6 %	97.7 %
Distrito Arcos (2)	97.3 %	-	-
Alto Comahue (3)	94.2 %	-	-
Weighted Average	98.7 %	98.4 %	99.1 %

(1) Opening was on December 18, 2014.

(2) Opening was on March 17, 2015.

## Rental Price

The following table shows the annual average rental price per square meter for the fiscal years ended June 30, 2015, 2014 and 2013:(1)

	Fiscal Year ended June 30, (1)		
	2015(4)	2014(4)	2013(4)
	(in Ps.)		
Abasto	8,227.2	6,254.6	5,104.9
Alto Palermo	15,107.9	12,618.5	10,487.1
Alto Avellaneda	5,443.2	4,400.3	3,467.9
Alcorta Shopping	9,106.1	7,000.2	5,832.0
Patio Bullrich	8,452.8	6,762.3	5,685.5
Alto Noa	2,656.6	2,022.5	1,627.3
Buenos Aires Design	2,543.2	1,874.9	1,683.7
Mendoza Plaza	2,181.1	1,802.8	1,466.2
Alto Rosario	4,847.2	3,390.4	2,843.6
Córdoba Shopping Villa Cabrera	3,552.0	2,503.8	2,139.2
Dot Baires Shopping	4,001.7	3,389.3	2,578.4
Soleil Premium Outlet	4,242.5	2,908.4	2,052.1
La Ribera Shopping	1,340.3	1,129.7	863.7

Distrito Arcos (2)	1,891.1	-	-
Alto Comahue (3)	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.

(4) Does not include income relating to common maintenance expenses and collective promotion fund.

#### 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 the Leases

Under Argentine Law, which was substantially amended upon enactment of the Argentine Civil and Commercial Code ("ACCC"), effective as of August 1, 2015, terms of commercial leases must be between two to fifty years, with most leases in the shopping center business having terms of no more than five years. The Company's lease agreements are generally denominated in Pesos.

Leasable space in the Company's shopping centers is marketed through an exclusive arrangement with its real estate broker, Fibesa S.A. ("Fibesa"). The Company has a standard lease agreement, the terms and conditions of which are described below, which it uses for most tenants. However, the Company's 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 Company charges its tenants a rent which 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 10% of tenant's gross sales. Furthermore, pursuant to the rent escalation clause in most leases, a tenant's Base Rent generally increases between 7% and 24% each year on an annual and cumulative basis as from the thirteenth month of the lease effective term. Although many of our lease agreements contain readjustment clauses, these are not based on an official index nor do they reflect the inflation index.

## Sources of Shopping Center Revenues

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, 2015, 2014 and 2013:

		As of	
		June 30,	
	2015	2014	2013
Anchor Store	1,299.3	1,098.4	869.5
Clothes and footwear	11,124.8	7,940.1	6,149.9
Entertainment	722.3	546.5	461.5
Home	617.1	486.4	401.4
Technology	2,994.2	2,526.5	1,921.1
Restaurant	1,938.4	1,476.8	1,161.5
Miscellaneous	2,589.4	1,922.3	1,438.2
Services	223.2	135.8	78.9
Total	21,508.7	16,132.8	12,482.0

## Additional Information About IRSA Commercial Propertie's Shopping Centers

Set forth below is information regarding our subsidiary IRSA Commercial Properties' principal shopping centers.

Alto Palermo Shopping, City of Buenos Aires. Alto Palermo Shopping is a 146-store shopping center that opened in 1990 and is located in the densely populated middle-income neighborhood of Palermo in the City of Buenos Aires. Alto Palermo Shopping is located only a few minutes from downtown Buenos Aires and with nearby subway access at the intersection of Avenues Santa Fe and Coronel Díaz. Alto Palermo Shopping has a total constructed area of 65,029 square meters (including parking lot) that consists of 19,545.0 sqm of gross leasable area. The shopping center has an entertainment area and a food court with 18 stores. Alto Palermo Shopping is spread out over four levels and its parking lot may accommodate 654 cars for a fee over an area of 32,405 square meters. The shopping center target customer is a middle-income shopper aged 28 to 40.

In the fiscal year ended on June 30, 2015, the public visiting the shopping center generated nominal retail sales totaling approximately Ps. 2,662.1 million, 26.1% higher than the invoiced amount in the same period of the previous fiscal year. Sales per square meter reached Ps. 136,203.1. Total rental income increased from about Ps. 244.2 million for fiscal year ended June 30, 2014 to Ps. 295.3 million for fiscal year ended June 30, 2015, which represents annual revenues per gross leasable square meter of Ps. 12,618.5 in 2014 and Ps. 15,107.9 in 2015. As of June 30, 2015, its occupancy rate was 99.7%.

Alto Avellaneda, Avellaneda, Greater Buenos Aires. Alto Avellaneda is a 139-store shopping center that opened in October 1995 and is located in the densely populated neighborhood known as Avellaneda, on the southern border of the City of Buenos Aires. This shopping center is located near a railway station and close to downtown Buenos Aires City. Alto Avellaneda has a total constructed area of 108,598.8 square meters (including parking lot) that includes 36,728.6 sqm of gross leasable area. Alto Avellaneda has a six-screen multiplex movie theatre, the first Walmart megastore in Argentina, an entertainment center, a 19-restaurant food court and starting in April 28, 2008, it also hosts a Falabella department store. Walmart (whose occupied area is not included in the gross leasable area) acquired the space it occupies, but it pays a share of the common expenses of Alto Avellaneda's parking lot. This shopping center offers free-of-charge parking space for 2,700 cars over an area of 47,856 square meters. Alto Avellaneda's target customer is a middle-income shopper aged 16 to 30.

In the fiscal year ended June 30, 2015, the public visiting the shopping center generated nominal retail sales that totaled approximately Ps. 2,895.1 million, which represents a year-on-year growth of 24.1%. Sales per square meter were Ps. 78,823.1. Total rental income increased from Ps. 160.9 million for fiscal year ended June 30, 2014 to Ps. 199.9 million for fiscal year ended June 30, 2015, which represents annual revenues per gross leasable square meter of Ps. 4,400.3 in 2014 and Ps. 5,443.2 in 2015. As of June 30, 2015, its occupancy rate was 99.9%.

Alcorta Shopping, City of Buenos Aires. Alcorta Shopping is a 106-store shopping center that opened in 1992 and is located in the residential neighborhood of Palermo Chico, one of the most exclusive areas in the City of Buenos Aires, within a short drive from downtown Buenos Aires. Alcorta Shopping has a total constructed area of approximately 87,553.8 square meters (including parking lot) that consists of 15,432.9 square meters of gross leasable area. Alcorta Shopping has a 12-restaurant food court and a Carrefour hypermarket on the ground floor. Carrefour purchased the space it now occupies but it pays a share of the expenses of the shopping center's parking lot. It is a three-level shopping center that includes a parking lot that charges a fee with approximately 1,300 spaces. Alcorta Shopping's targeted clientele consists of high income individuals between the ages of 34 and 54.

In the fiscal year ended June 30, 2015, the public visiting the shopping center generated nominal retail sales that totaled approximately Ps. 1,474.7 million, which represents fiscal year sales for approximately Ps. 95,554.7 per square meter and a year-on-year growth of 31.6%. Total rental income increased from approximately Ps. 105.8 million in fiscal year ended June 30, 2014 to Ps. 140.5 million in fiscal year ended June 30, 2015, which represents annual revenues per gross leasable square meter of Ps. 7,000.2 in 2014 and Ps. 9,106.1 in 2015. As of June 30, 2015, its occupancy rate was 100%.

Abasto Shopping, City of Buenos Aires. Abasto Shopping is a 169-store shopping center located in the City Buenos Aires. Abasto Shopping is directly accessible by Carlos Gardel subway station; it is six blocks away from Once railway station and near the highway to Ezeiza International Airport. Abasto Shopping opened on November 10, 1998. Our investment in Abasto amounted to US\$ 111.6 million. The principal building is a landmark building, which during the period 1889 to 1984 operated as the primary fresh produce market for the City of Buenos Aires. The property was converted into a 116,646 square meter shopping center (including parking lot and common areas), with approximately 36,669.1 square meters of gross leasable area (40,401.4 sqm including Museo de los Niños). Abasto is ranked #4 in terms of gross leasable area in Argentina. The shopping center is near Torres de Abasto, our apartment complex, and Coto supermarket.

Abasto Shopping has a 26-restaurant food court, a 12-screen movie theatre complex seating approximately 3,100 people, covering a surface area of 8,021 sqm, entertainment area and Museo de los Niños with a surface area of 3,732.3 sqm (the latter is not included within the gross leasable area). The shopping center is distributed in five levels and includes a parking lot for 1,200 vehicles with a surface area of 40,169 sqm.

Abasto Shopping's target clientele consists of middle-income individuals between the ages of 25 and 45 that, in our opinion, represents an important portion of the population in this area of Buenos Aires.

In the fiscal year ended June 30, 2015, the public visiting the shopping center generated nominal retail sales that totaled approximately Ps. 3,150.2 million, 28.7% higher than the sales recorded in the same period of the previous fiscal year. Sales per square meter were approximately Ps. 85,909.2. Total rental income increased from approximately Ps. 238.0 million in fiscal year ended June 30, 2014 to Ps. 301.7 million in fiscal year ended June 30, 2015, which represents annual revenues per gross leasable square meter of Ps. 6,254.6 in 2014 and Ps. 8,227.2 in 2015.

As of June 30, 2015, its occupancy rate was 100%.

Patio Bullrich, City of Buenos Aires. Patio Bullrich is an 87-store shopping center which opened in 1988 and the first shopping center to start operations in the City of Buenos Aires. We acquired Patio Bullrich on October 1, 1998 for US\$ 72.3 million.

Patio Bullrich is located in the Recoleta neighborhood, one of the most prosperous areas of the City of Buenos Aires. This neighborhood is a residential, cultural and tourist center that includes distinguished private homes, historical sites, museums, theatres and embassies. The shopping center is located within walking distance of the most prestigious hotels of the City of Buenos Aires and the subway, bus and train systems. Additionally, the shopping center is only 10 minutes by car from the downtown area of the city.

Patio Bullrich has a total constructed area of 29,982 square meters (including parking lot) that consists of 11,636.2 sqm of gross leasable area and common areas consisting of 12,472 square meters. The shopping center includes a four-screen multiplex movie theatre seating 1,381 people and an 11-store food court. The four-story shopping center has a parking lot that charges a fee with 215 spaces over an area of 4,825 square meters. Patio Bullrich is one of the most successful shopping centers in Argentina in terms of sales per square meter. Its targeted clientele consists of high-income individuals.

In the fiscal year ended June 30, 2015, the public visiting the shopping center generated nominal retail sales that totaled approximately Ps. 888.5 million, which represents annual sales for approximately Ps. 76,353.1 per square meter and a year-on-year growth of 28.9%. Total rental income increased from approximately Ps. 79.4 million in fiscal year ended June 30, 2014 to Ps. 98.4 million in fiscal year ended June 30, 2015, which represents annual revenues per gross leasable square meter of Ps. 6,762.3 in 2014 and Ps. 8,452.8 in 2015. As of June 30, 2015, its occupancy rate was 100%.

Alto NOA, Salta, City of Salta. Alto NOA is a 89-store shopping center that opened in 1994. Alto NOA is located in the City of Salta, the capital of the Province of Salta, in the northwestern region of Argentina. The province of Salta has a population of approximately 1.2 million inhabitants with approximately 0.6 million inhabitants in the City of Salta. The shopping center has a total constructed area of approximately 30,876 square meters (including parking) which consists of 19,072.9 square meters of gross leasable area. Alto NOA has a food court with 14 restaurants, a large entertainment center, a supermarket and a multiplex cinema with eight screens. The shopping center occupies one floor and has a free parking lot for 551 cars. Alto NOA's targeted clientele consists of middle-income individuals between the ages of 28 and 40.

In the fiscal year ended June 30, 2015, the public visiting the shopping center generated nominal retail sales that totaled approximately Ps. 1,068.6 million, which represents period sales for approximately Ps. 56,027.2 per square meter and a year-on-year growth of 39.5%. Total rental income increased from approximately Ps. 38.7 million in fiscal year ended June 30, 2014 to Ps. 50.7 million in fiscal year ended June 30, 2015, which represents annual revenues per gross leasable square meter of Ps. 2,022.5 in 2014 and Ps. 2,656.6 in 2015. As of June 30, 2015, its occupancy rate was 100%.

Buenos Aires Design, City of Buenos Aires. Buenos Aires Design is a shopping center with 63 stores specialized in home decoration which opened in 1993. We own a 53.684% interest in Emprendimiento Recoleta S.A. (“ERSA”), the company which has the concession to operate Buenos Aires Design. The other shareholder of ERSA is Hope Funds S.A., which has a 46.316% interest.

As a result of a public auction, in February 1991, the City of Buenos Aires granted to ERSA a 20-year concession to use a plot of land in the Centro Cultural Recoleta, pursuant to an agreement executed in June 1993. The concession effective date was scheduled for November 19, 1993 and was set to expire on November 18, 2013. In 2010 the Government of the City of Buenos Aires, pursuant to Decree N° 867, extended the concession term for an additional five-year period, and the expiration date under the agreement became due on November 17, 2018. The concession agreement provides for ERSA to pay the City of Buenos Aires a monthly amount of Ps. 49,029. The concession may be terminated for any of the following reasons, among others: material breach of the obligations of the parties, which with regard to ERSA include: (i) breach of applicable law, (ii) change of the purpose of the area under concession; (iii) nonpayment of the monthly fee for two consecutive periods; (iv) destruction or abandonment of the area under concession; (v) bankruptcy or liquidation; (vi) restitution of the plot of land under concession, which shall only take place for public interest reasons.

In June 1991, we entered into an agreement with the shareholders of ERSA providing administration by us of Buenos Aires Design for a monthly administration fee of 10% of the net expenditures of expenses.

Buenos Aires Design is located in an exclusive neighborhood named Recoleta in the City of Buenos Aires, near Libertador Avenue and downtown Buenos Aires. Buenos Aires Design is located in one of Buenos Aires’ most popular tourist attraction areas as the most exclusive hotels and restaurants are located in this area and due to its closeness to the National Museum of Fine Arts, the Museum of Modern Art and other popular cultural institutions.

Buenos Aires Design has a total constructed area of 26,131.5 sqm (including parking) that consists of 13,888.2 sqm of gross leasable area. The shopping center has 10 restaurants anchored by the Hard Rock Café and a terrace that covers 3,700 square meters. The shopping center is divided into two floors and has a 174-car pay parking lot. Buenos Aires Design’s targeted clientele consists of upper-middle income individuals between the ages of 25 and 45.

In the fiscal year ended June 30, 2015, the public visiting the shopping center generated nominal retail sales that totaled approximately Ps. 326.0 million, which represents approximately Ps. 23,474.2 per square meter. Total rental income increased from approximately Ps. 27.4 million in fiscal year ended June 30, 2014 to Ps. 35.3 million in fiscal year ended June 30, 2015, which represents annual revenues per gross leasable square meter of Ps. 1,874.9 in 2014 and Ps. 2,543.2 in 2015. As of June 30, 2015 its occupancy rate was 94.6%.

Alto Rosario, Santa Fe, City of Rosario. Alto Rosario is a 145-store shopping center located in the city of Rosario, the third largest city in Argentina in terms of population. It has a total constructed area of approximately 100,750 square meters (including parking), which consists of 28,395.6 square meters of gross leasable area (excluding Museo de los Niños). Alto Rosario has a food court with 17 restaurants, a large entertainment center, a supermarket and a Showcase cinema with 14 state-of-the-art screens. The shopping center occupies one floor and has a free parking lot for 1,736 cars. Alto Rosario’s targeted clientele consists of middle-income individuals between the ages of 28 and 40.

In the fiscal year ended June 30, 2015, the public visiting the shopping center generated nominal retail sales that totaled approximately Ps. 1,951.8 million, which represents a year-on-year growth of 41.6%. Sales per square meter were approximately Ps. 68,735.0 million. Total rental income increased from approximately Ps. 100.1 million in fiscal year ended June 30, 2014 to Ps. 137.6 million in fiscal year ended June 30, 2015, which represents annual revenues per gross leasable square meter of Ps. 3,390.4 in 2014 and Ps. 4,847.2 in 2015. As of June 30, 2015, its occupancy rate was 97.9%.

Mendoza Plaza Shopping, Mendoza, City of Mendoza. Mendoza Plaza is a 144-store shopping center which opened in 1992 and is in the City of Mendoza, the capital of the Province of Mendoza. The city of Mendoza has a population of approximately 1.0 million inhabitants, making it the fourth largest city in Argentina. Mendoza Plaza Shopping consists of 42,039.5 square meters of gross leasable area and has a multiplex cinema covering an area of approximately 3,659 square meters with ten screens, the Chilean department store Falabella, a food court with 18 restaurants, an entertainment center and a supermarket, which is also a tenant. The shopping center has two levels and has a free parking lot for 2,600 cars. Mendoza Plaza's targeted clientele consists of middle-income individuals between the ages of 28 and 40.



In the fiscal year ended June 30, 2015, the public visiting the shopping center generated nominal retail sales that totaled approximately Ps. 1,906.7 million, which represents a year-on-year growth of 25.9%. Sales per square meter were approximately Ps. 45,354.3. Total rental income increased from approximately Ps. 74.1 million in fiscal year ended June 30, 2014 to Ps. 91.7 million in fiscal year ended June 30, 2015, which represents annual revenues per gross leasable square meter of Ps. 1,802.8 in 2014 and Ps. 2,181.1 in 2015. As of June 30, 2015, its occupancy rate was 96.1%.

Córdoba Shopping, Villa Cabrera, City of Córdoba. Córdoba Shopping Villa Cabrera is a 107-store shopping center with a covered area of 35,000 square meters, consisting of 15,328.0 square meters of GLA located in Villa Cabrera, City of Córdoba. It has a 12-screen movie theatre complex and a parking lot for 1,500 vehicles.

In the fiscal year ended June 30, 2015, the public visiting the shopping center generated nominal retail sales that totaled approximately Ps. 756.0 million, which represents a year-on-year growth of 38.3%. Sales per square meter were approximately Ps. 49,323.6. Total rental income increased from Ps. 39.7 million in fiscal year ended June 30, 2014 to Ps. 54.4 million in fiscal year ended June 30, 2015, which represents annual revenues per gross leasable square meter of Ps. 2,503.8 in 2014 and Ps. 3,552.0 in 2015. As of June 30, 2015, its occupancy rate was 99.8%.

Dot Baires Shopping, City of Buenos Aires. Dot Baires Shopping is a shopping center that was opened in May 2009. It has 4 floors and 3 underground levels, a covered surface area of 173,000 square meters, out of which 49,847.9 constitute Gross Leasable Area, 156 retail stores, a hypermarket, a 10-screen multiplex movie theater and parking space for 2,200 vehicles.

Dot Baires Shopping is located in the Saavedra neighborhood, at the spot where Av. General Paz meets the Panamerican Highway and it is the largest shopping center in the City of Buenos Aires in terms of square meters. As of June 30, 2015, our equity interest in Panamerican Mall S.A. was 80%.

In the fiscal year ended June 30, 2015, the public visiting the shopping center generated nominal retail sales that totaled approximately Ps. 2,570.6 million, which represents fiscal year sales for approximately Ps. 51,568.8 per square meter and a year-on-year growth of 28.0%. Total rental income increased from approximately Ps. 158.3 million in fiscal year ended June 30, 2014 to Ps. 199.5 million in fiscal year ended June 30, 2015, which represents annual revenues per gross leasable square meter of Ps. 3,389.3 in 2014 and Ps. 4,001.7 in 2015. As of June 30, 2015, its occupancy rate was 99.7%.

Soleil Premium Outlet, Greater Buenos Aires. In December 2007, we entered into an agreement with INC S.A. (“INCSA”), a non-related company, for the acquisition of Soleil Premium Outlet for an amount of US\$ 20.7 million.

On July 1, 2010, we executed the final deed for partial conveyance of title of the going concern and closing minutes with INCSA, whereby INCSA transferred to us the shopping center’s going concern, which we started to operate on the referred date. The transaction was exclusive of any debt or credit prior to the transaction with respect to INCSA’s business, as well as the real property where a hypermarket currently operates located in the premises.

On April 12, 2011, the Argentine Antitrust Authority (“CNDC”) granted its consent to the transaction.

On April 2013, as a result of its refurbishment and reengineering works, and a strong advertising campaign, it was renamed Soleil Premium Outlet.

It has a surface area of 48,313 square meters, 13,993.1 square meters of which are gross leasable area. It comprises 78 stores and 2,335 parking spaces. Soleil Premium Outlet is located in San Isidro, Province of Buenos Aires. It opened in Argentina more than 25 years ago and it is the first Premium Outlet in the country.

In the fiscal year ended June 30, 2015, the public visiting the shopping center generated nominal retail sales that totaled approximately Ps. 938.4 million, which represents period average sales for approximately Ps. 67,063.3 per square meter and a year-on-year growth of 41.3%. Total rental income increased from approximately Ps. 44.2 million in fiscal year ended June 30, 2014 to Ps. 59.4 million for fiscal year ended June 30, 2015, which represents annual revenues per gross leasable square meter of Ps. 2,908.4 in 2014 and Ps. 4,242.5 in 2015. As of June 30, 2015, its occupancy rate was 99.4%.

La Ribera Shopping, City of Santa Fe. We hold fifty percent of Nuevo Puerto Santa Fe S.A.'s (NPSF) shares, a corporation that is tenant of a building in which "La Ribera" shopping center was built and currently operates, which has a surface area of 43,219 square meters, comprising 60 retail stores and a seven 2D and 3D-screen multiplex cinema. It also comprises a 510-square meter Cultural Center and 24,553 square meters in outdoor areas and free parking space. Its gross leasable area is approximately 9,750.3 square meters.

The shopping center is strategically located within the Port of Santa Fe, the most developed area in terms of real estate in the City of Santa Fe, 27 km away from the City of Paraná (Province of Entre Ríos) and 96 km away from the City of Rafaela (Province of Santa Fe). Its influence area represents a potential market consisting of over one million people.

In the fiscal year ended June 30, 2015, the public visiting the shopping center generated nominal retail sales that totaled approximately Ps. 398.1 million, which represents period average sales for approximately Ps. 40,828.4 per square meter and a year-on-year growth of 41.7%. Total rental income increased from Ps. 9.4 million in fiscal year ended June 30, 2014 to Ps. 13.1 million for the fiscal year ended June 30, 2015, which represents annual revenues per gross leasable square meter of Ps. 1,129.7 in 2014 and Ps. 1,340.3 in 2015. As of June 30, 2015, its occupancy rate was 99.3%.

Distrito Arcos, City of Buenos Aires. Distrito Arcos is a shopping center we inaugurated on December 18, 2014, and it is our shopping center number 14. Distrito Arcos is a premium outlet located in the neighborhood of Palermo, City of Buenos Aires. It has 12,127.3 square meters of gross leasable area and its first stage consists of 63 stores, 115 parking spaces y 15 selling stands.

During a second stage, we plan to build a fitness center, a houseware store and a great cultural offer with 66 stores and 20 selling stands, covering approximately 2,000 square meters of additional gross leasable area. Since its opening, visitors to the shopping center generated nominal retail sales that totaled approximately Ps. 339.9 million, which represent sales per square meter of approximately Ps. 28,026.3. Total rental income was approximately Ps. 22.9 million, which represents total revenues for the period per gross leasable area of Ps. 1,891.1. As of June 30, 2015 the occupancy rate was 97.3%.

Alto Comahue, City of Neuquén. Alto Comahue is a shopping center we inaugurated on March 17, 2015. Alto Comahue is our shopping center number 15 and is located in the City of Neuquén, in the Patagonian region of Argentina. It has a total footage of 35,000 square meters and 9,456.9 square meters of gross leasable area, approximately 1,000 roof-covered and open-air parking spaces and a large entertainment and leisure area. Alto Comahue offers 102 retail stores that house the most prestigious brands in Argentina, and will have a 6-screen multiplex movie theater and a theme restaurant, which will open in the upcoming months. It is a three-storey building consisting of a basement where the parking lot and service area are located; the ground floor consisting of 5,100 square meters for retail stores, and the first floor consisting of 720 square meters for restaurants with unique views of the city and 2,700 square meters of retail stores.

The development is a part of a mixed-use complex that further includes a supermarket that is currently in operation and two additional parcels of land. One of these parcels is assigned to the development of a hotel and the other, which extends over 18,000 sqm -owned by the Company-, to future development of houses. Since its opening, visitors to the shopping center generated nominal retail sales that totaled approximately Ps. 182.1 million, which represent sales per square meter of approximately Ps. 19,254.4. Total rental income was approximately Ps. 11.7 million, which represents total revenues for the period per gross leasable area of Ps. 1,236.1. As of June 30, 2015 the occupancy rate was 94.2%.

## Competition

### Shopping Centers

Because most of our shopping centers are located in highly 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 will be difficult for other companies to compete with us in areas through the development of new shopping center properties. Our principal competitor is Cencosud S.A. which owns and operates Unicenter shopping center and the Jumbo hypermarket chain, among others.

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

Company	Shopping Center	Location (1)	Gross Leasable Area	Stores	National GLA Percentage (2)	Stores Percentage (2)		
<b>IRSA Commercial Properties</b>								
	Dot Baires Shopping	CABA	49,848	156	2.67	%	2.25	%
	Mendoza Plaza Shopping	Mendoza	42,040	144	2.25	%	2.07	%
	Abasto de Buenos Aires	CABA	40,401	170	2.17	%	2.45	%
	Alto Avellaneda	GBA	36,729	139	1.97	%	2.00	%
	Alto Rosario	Rosario	29,656	146	1.59	%	2.10	%
	Alto Palermo Shopping	CABA	19,545	146	1.05	%	2.10	%
	Alto NOA	Salta	19,073	89	1.02	%	1.28	%
	Alcorta Shopping	CABA	15,433	106	0.83	%	1.53	%
	Córdoba Shopping	Córdoba	15,328	107	0.82	%	1.54	%
	Soleil Premium Outlet	GBA	13,993	78	0.75	%	1.12	%
	Buenos Aires Design	CABA	13,888	63	0.74	%	0.91	%
	Distrito Arcos	CABA	12,127	63	0.65	%	0.91	%
	Patio Bullrich	CABA	11,636	87	0.62	%	1.25	%
	La Ribera Shopping	Santa Fe	9,750	60	0.52	%	0.86	%
	Alto Comahue	Neuquen	9,457	102	0.51	%	1.47	%
	Subtotal		338,904	1,656	18.16	%	23.84	%
<b>Cencosud</b>								
	Subtotal		651,105	1,465	34.90	%(3)	21.08	%
<b>Other Operators</b>								

	Subtotal	875,557	3,827	46.95	%	55.10	%
Total		1,865,566	6,948	100	%	100	%

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

(2) Percentage over all shopping centers in Argentina. The results may not add up to 100% due to rounding.

(3) Includes supermarkets.

Source: Argentine Chamber of Shopping Centers

#### Seasonality

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

## Offices and Other

### Overview

We are engaged in the acquisition and management of office buildings and other rental properties in Argentina. As of June 30, 2015, we directly and indirectly owned interests in office and other rental properties in Argentina, which comprised 254,730 square meters of gross leasable area. Out of these properties, 9 were office properties, which comprised 111,679 square meters of gross leasable area. For fiscal year 2015, we had revenues from Offices and other non-shopping center rental properties of Ps. 332.7 milion.

All our office rental properties in Argentina are located in the City of Buenos Aires. For the year ended June 30, 2015, the average occupancy rate for all our properties in the Offices and Others segment was approximately 91.7%.

On December 22, 2014, we transferred to IRSA Commercial Properties, 83,789 m2 of our premium office space including the República Building, the Bouchard 710 building, the Della Paolera 265 building, the Intercontinental Plaza Building, the Suipacha 652 building and the land reserve “Intercontinental II” with potential to develop up to 19,600 square meters, each located in the City of Buenos Aires, to implement our objective of expanding our business of developing and operating commercial properties in Argentina and to create a unique and unified portfolio of rental properties consisting of the best office buildings in the city of Buenos Aires and the best shopping centers in Argentina. The total value of the transaction was US\$308.0 million, based on third party appraisals.

### 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 leasable 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)	IRSA’s Effective Interest	Monthly Rental Income (in	Annual accumulated rental income over fiscal years (Ps./000(4)	Book Value (in thousands
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							thousands of Ps.) (3)	2015	2014	2013	of Ps.)
<b>Offices</b>											
Edificio República	04/28/08	19,885	93.6	%	100.0	%	4,919	61,934	45,676	32,721	194,971
Torre BankBoston	08/27/07	14,873	100.0	%	100.0	%	3,954	41,932	34,744	25,146	138,432
Bouchard 551	03/15/07	-	-		100.0	%	135	10,176	23,519	30,008	7,698
<b>Intercontinental</b>											
Plaza(8)	11/18/97	22,535	100.0	%	100.0	%	-	55,973	40,108	30,178	41,106
Bouchard 710	06/01/05	15,014	100.0	%	100.0	%	4,170	48,327	34,606	26,025	60,923
<b>Dique IV, Juana</b>											
Manso 295	12/02/97	11,298	99.5	%	100.0	%	2,634	32,171	25,195	18,282	51,835
Maipú 1300 (9)	09/28/95	4,759	90.9	%	100.0	%	1,020	15,848	15,499	15,147	14,713
Libertador 498	12/20/95	620	100.0	%	100.0	%	372	1,952	3,184	2,946	3,938
Suipacha 652/64	11/22/91	11,453	96.7	%	100.0	%	1,385	16,023	12,636	8,689	8,255
Madero 1020	12/21/95	-	-		100.0	%	2	26	24	24	113
Dot Building (5)	11/28/06	11,242	100.0	%	80.0	%	2,067	27,416	18,985	12,924	126,365
<b>Subtotal Offices</b>		<b>111,679</b>	<b>98.1</b>	<b>%</b>	<b>N/A</b>		<b>20,658</b>	<b>311,778</b>	<b>254,176</b>	<b>202,090</b>	<b>648,349</b>
<b>Other Properties</b>											
Nobleza Piccardo (6)	05/31/11	106,610	74.8	%	50.0	%	144	7,960	8,238	7,117	4,297
Other Properties (7)	N/A	36,441	45.3	%	N/A		659	6,960	2,792	2,000	53,627
<b>Subtotal Other Properties</b>		<b>143,051</b>	<b>67.4</b>	<b>%</b>	<b>N/A</b>		<b>803</b>	<b>14,920</b>	<b>11,030</b>	<b>9,117</b>	<b>57,924</b>
<b>Total Offices and Other</b>		<b>254,730</b>	<b>80.7</b>	<b>%</b>	<b>N/A</b>		<b>21,461</b>	<b>326,698</b>	<b>265,206</b>	<b>211,207</b>	<b>706,273</b>

## Notes:

(1) Corresponds to the total leasable surface area of each property as of June 30, 2015. Excludes common areas and parking spaces.

(2) Calculated by dividing occupied square meters by leasable area as of June 30, 2015.

(3) The lease agreements in effect as of June 30, 2015 were computed for each property.

(4) Corresponds to total consolidated lease agreements.

(5) Through IRSA Commercial Properties.

(6) Through Quality Invest S.A.

(7) 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%.

(8) During May, 2015, we reported that, through IRSA Commercial Properties, we have signed an agreement to transfer to a non related party 8,470 sqm corresponding to nine office floors and the sign of the deed and the delivery of the units was on June 30, 2015. During September, 2015, we sold seven floors of Intercontinental Plaza, for more information please see "Item 4. Recent Developments."

(9) During November, 2015, we sold two office floors and four units of parking space of Maipú 1300, for more information please see "Item 4. Recent Developments."



The following table shows a schedule of the lease expirations of our office and other properties for leases outstanding as of June 30, 2015, 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,

Year of expiration	Number of Leases (1)	Surface area subject to expiration (sqm)	Percentage subject to expiration	Amount (Ps.) (3)	Percentage of Leases
2015	21	36,077	11 %	34,850,999	10 %
2016	44	39,579	12 %	101,818,807	30 %
2017	61	70,084	22 %	147,468,004	44 %
2018+	26	171,372	54 %	54,468,450	16 %
Total	152	317,112	100 %	338,606,260	100 %

(1) Including vacant offices as of June 30, 2015. A single lease may be associated to one or more offices.

(2) Include the base rent and does not reflect our ownership interest in each property.

(3) The amount includes the annual base rent as of June 30, 2015 of agreements to expire.

The following table shows our offices occupancy percentage as of the end of fiscal years ended June 30, 2015 and 2014:

Offices	Occupancy Percentage(1)	
	2015	2014
Edificio República	93.6 %	94.0 %
Torre BankBoston	100.0 %	100.0 %
Bouchard 551	-	100.0 %
Intercontinental Plaza(2)	100.0 %	100.0 %
Bouchard 710	100.0 %	99.8 %
Dique IV, Juana Manso 295	99.5 %	94.4 %
Maipú 1300 (3)	90.9 %	87.3 %
Libertador 498	100.0 %	100.0 %
Suipacha 652/64	96.7 %	100.0 %
DOT Building	100.0 %	100.0 %
Subtotal Offices	98.1 %	97.7 %

(1) Leased surface area in accordance with agreements in effect as of June 30, 2015 and 2014, as applicable, considering the total leasable office area for the same periods.

(2) During May, 2015, we reported that, through IRSA Commercial Properties, we have signed an agreement to transfer to a non related party 8,470 sqm corresponding to nine office floors and the sign of the deed and the delivery of the units was on June 30, 2015. During September, 2015, we sold through IRSA Commercial Properties seven floors of Intercontinental Plaza, for more information please see "Item 4. Recent Developments."

(3) During November, 2015, we sold two office floors and four units of parking space of Maipú 1300, for more information please see "Item 4. Recent Developments."



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The following table sets forth the annual average income per square meter for our offices during fiscal years ended June 30, 2015, 2014 and 2013.

Annual average income per surface area as of June 30(1).

Offices	Annual income per surface area (1) (Ps./sqm)		
	2015(2)	2014(2)	2013(2)
Edificio República	3,115	2,297	1,646
Torre BankBoston	2,819	2,336	1,691
Bouchard 557	-	-	2,484
Intercontinental Plaza(4)	2,484	1,780	1,339
Bouchard 710	3,219	2,305	1,733
Dique IV, Juana Manso 295	2,847	2,230	1,618
Maipú 1300(5)	3,330	3,257	1,612
Libertador 498	3,149	5,137	4,752
Suipacha 652/64	1,399	1,103	759
DOT Building	2,439	1,689	1,150
Others(3)	61	47	96

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

(2) Leasable square meters vary depending on availability for rent of land reserves (Nobleza Piccardo, Ferro etc.).

(3) Includes the following properties: Nobleza Piccardo, Ferro, Dot Adjoining Plot and Chanta 4, Constitución 1111 and Rivadavia 2774.

(4) During May, 2015, we reported that, through IRSA Commercial Properties, we have signed an agreement to transfer to a non related party 8,470 sqm corresponding to nine office floors and the sign of the deed and the delivery of the units was on June 30, 2015. During September, 2015, we sold through IRSA Commercial Properties seven floors of Intercontinental Plaza, for more information please see "Item 4. Recent Developments."

(5) During November, 2015, we sold two office floors and four units of parking space of Maipu 1300, for more information please see "Item 4. Recent Developments."

New agreements and renewals:

The following table sets forth certain Information on lease agreements as of June 30, 2015:

Property	Number of Agreements(1)(5)	Annual Rental income (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)
Maipú 1300 (7)	7.0	6,861,836.7	179.1	125.0	-	-
Av. Libertador 498	1.0	1,108,857.6	149.1	-	-	-
Intercontinental Plaza(6)	17.0	40,828,101.1	191.6	-	-	-
Bouchard 710	7.0	33,005,245.8	234.2	333.3	-	-
Bouchard 557	2.0	5,996,891.4	253.3	-	-	-
Della Paolera 265	4.0	20,996,908.2	178.4	-	-	-
Edificio República	6.0	25,355,740.9	250.9	260.5	-	-
Juana Manso 295	4.0	27,770,144.5	211.6	-	-	-
DOT Building	1.0	3,884,587.8	218.1	-	-	-
Suipacha 664	2.0	2,492,596.9	75.4	34.6	-	-
Total Offices	51.0	168,300,910.9	205.5	97.5	-	-

(1) Includes new and renewed agreements executed in fiscal year 2015.

(2) Agreements stated in U.S. 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 U.S. 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.

(6) During May, 2015, we reported that, through IRSA Commercial Properties, we have signed an agreement to transfer to a non related party 8,470 sqm corresponding to nine office floors and the sign of the deed and the delivery of the units was on June 30, 2015. During September, 2015, we sold through IRSA Commercial Properties seven floors of Intercontinental Plaza, for more information please see "Item 4. Recent Developments."

(7) During November, 2015, we sold two office floors and four units of parking space of Maipu 1300, for more information please see "Item 4. Recent Developments."

#### Additional Information About Our Office Properties

Below is a description of our rental office buildings:

Edificio República, City of Buenos Aires.

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

Torre BankBoston, City of Buenos Aires.

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

Bouchard 551, City of Buenos Aires.

Bouchard 551, known as “Edificio La Nación”, is an office building we acquired in March 2007, located in the Retiro area close to the intersection of the Leandro N. Alem and Córdoba avenues and opposite Plaza Roma. The building is a 23-story tower covering a surface area of 2,900 square meters in the low floors that becomes smaller as it goes higher up to 900 square meters approximately, and parking for 116 units.

Intercontinental Plaza, City of Buenos Aires.

Intercontinental Plaza is a modern 24-story building located next to the Intercontinental Hotel in the historic neighborhood of Montserrat in downtown City of Buenos Aires. We own 61% of the building, which has a surface averaging 22,535 square meters of gross leasable area and 321 parking spaces. The principal tenants currently include Danone Argentina S.A., Cresud, IRSA Commercial Properties, and Industrias Pugliese S.A., among other. Until June 30, 2015, our main tenants included Total Austral S.A. During May, 2015, we reported that, through IRSA Commercial Properties, we have signed an agreement to transfer to a non related party 8,470 sqm corresponding to nine office floors and the sign of the deed and the delivery of the units was on June 30, 2015. During September, 2015, we sold through IRSA Commercial Properties seven floors of Intercontinental Plaza, for more information please see “Item 4. Recent Developments.”

Dique IV, Juana Manso 295, Puerto Madero, City of Buenos Aires.

About mid-May 2009 we completed an office building located in Puerto Madero’s Dock IV. It is a luxury building with a leasable area of approximately 11,298 square meters composed of large and versatile spaces. Its lay-out is optimum both for companies that require smaller office space at an average 200 square meters and for corporations that need the entire floor. The building has nine office stories and retail stores in the first story. The main tenant in the building is Exxon Mobile.

Bouchard 710, City of Buenos Aires.

Bouchard 710 is an office building located in the Retiro area. The building is a 12-story tower, with an average area per floor of 1,251 square meters, with 165 units for car parking. Tenants include Sibille S.C. (KPMG), and Microsoft de Argentina S.A., Samsung Electronics Argentina S.A., Energy Consulting Services S.A., Chubb Argentina de Seguros S.A and Booking.com S.A., among other. It has 15,014 square meters of gross leasable area.

Maipú 1300, City of Buenos Aires.

Maipú 1300 is a 23-story office tower opposite Plaza San Martín, a prime office zone facing Avenida del Libertador, an important north-to-south avenue. The building is also located within walking distance of the Retiro commuter train station, the city’s most important public transportation hub, connecting rail, subway and bus transportation. We own 4,758 sqm, with an average area per floor of 440 square meters. The building’s principal tenants currently include PPD Argentina S.A., TV Quality SRL, El Surco Compañía de Seguros and Petrolera San José. During November, 2015, we sold two office floors and four units of parking space of Maipú 1300, for more information please see “Item 4. Recent Developments.”

Suipacha 652/64, City of Buenos Aires.

Suipacha 652/64 is a 7-story office building located in the office district of the city. We own the entire building and 62 parking spaces. The building has unusually large floors, most measuring 1,580 square meters. The building's principal tenants currently include Gameloft Argentina S.A., Monitor de Medios Publicitarios S.A, Organización de Servicios Directos Empresarios (OSDE) and Tarshop S.A., among other. It has 11,453 square meters of gross leasable area.

Libertador 498 Building, City of Buenos Aires.

Libertador 498 is a 27-story office tower at the intersection of three of the most important means of access to the city. This location allows for easy access to the building from northern, western and southern Buenos Aires. We are owners of 1 floor with an average area per floor of 620 sqm and approximately 100 parking spaces. This building features a unique design in the form of a cylinder and a circular view of the entire city. The main tenants include Sideco Americana S.A., Goldman Sachs Argentina LLC, Empresa Argentina de Soluciones Satelitales S.A., Japan Bank for the International Cooperation, Gates Argentina S.A., Kandiko S.A. and Allergan Productos Farmacéuticos S.A.

Dot Building, City of Buenos Aires

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

Other Office Properties.

We also have interests in other office properties, all of which are located in the City of Buenos Aires. These properties are either entire buildings or floors in buildings.

Retail and Other Properties.

Our portfolio of rental properties as of June 30, 2015 includes 4 non-shopping center leasable properties that may be leased as shops on streets, a lot in industrial premises, land reserves or other properties for various uses. Most of these properties are located in the City of Buenos Aires, although some are located in other cities in Argentina. These properties include Constitución 1111, Solares de Santa María, Madero 1020, Zelaya 3102 and Rivadavia 2774.

Catalinas Norte Plot

On May 26, 2010, jointly with the Government of the City of Buenos Aires, we executed a deed of conveyance of title whereby we acquired a property located at Avenida Eduardo Madero 150, between Av. Córdoba and San Martín. The total price of the transaction was fixed in the amount of Ps. 95 million, Ps. 19 million of which were paid upon the execution of the preliminary sales agreement (on December 17, 2009), whereas the balance of Ps. 76 million was paid upon the execution of the deed on May 26, 2010.

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.

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In fiscal year ended June 30, 2015, revenues from the development and sale of properties segment amounted to Ps. 15.1 million, compared to Ps. 85.5 million posted in the fiscal year ended June 30, 2014.

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, 2015, 2014 and 2013:

Development	2015 (Ps./000)	As of june 30,	
		2014	2013
<b>Residential apartments</b>			
Caballito Nuevo (5)	2,139	986	6,983
Condominios I and II (1)	6,616	51,917	4,262
Horizons (4)	5,225	22,890	117,090
Other residential apartments (2)	-	44	811
Subtotal residential apartments	13,980	75,837	129,146
<b>Residential communities</b>			
Abril (3)	644	1,750	1,113
El Encuentro (5)	461	7,944	11,698
Subtotal residential communities	1,105	9,694	12,811
<b>Land reserve</b>			
Canteras Natal Crespo	-	-	39
Neuquén(1)	-	13,390	-
Subtotal land reserves	-	13,390	39
<b>TOTAL</b>	<b>15,085</b>	<b>98,921</b>	<b>141,996</b>

(1) Through IRSA Commercial Properties.

(2) Includes the following properties: Torres Jardín, Alto Palermo Park (fully sold), and San Martín de Tours.

(3) Includes the sales of Abril's shares.

(4) Owned by Cyrsa.

(5) Through IRSA.

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Development	Company	Interest	Date of Acquisition	Area intended for sale sqm	Area intended for Construction sqm	Sold	Title deed executed	Location	Accumulated income as of June 2015	Accumulated income as of June 2014	Accumulated income as of June 2013
Residential Available for sale (4)											
Condominios del Alto I	IRSA Commercial Properties	100%	04/30/1999	2,082	-	71%	67%	Santa Fe	6,314	2,614	4,262
Condominios del Alto II	IRSA Commercial Properties	100%	04/30/1999	5,009	-	96%	93%	Santa Fe	302	49,303	-
Caballito Nuevo	IRSA	100%	11/03/1997	8,173	-	98%	98%	CABA	2,139	986	6,983
San Martín de Tours	IRSA	100%	03/04/2003	3,492	-	99%	99%	CABA	-	-	-
El Encuentro	IRSA	100%	11/18/1997	127,795	-	100%	99%	Buenos Aires	461	7,944	11,690
Abril Club de Campo – Lots	IRSA	100%	01/03/1995	5,135	-	99%	99%	Buenos Aires	644	1,750	1,113
Abril Club de Campo - Casona (5)	IRSA	100%	01/03/1995	34,605	-	-	-	Buenos Aires	-	-	-
Torres Jardín	IRSA	100%	07/18/1996	-	-	-	-	CABA	-	44	811
Apartment Entre Rios 465/9	IRSA Commercial Properties	100%						Buenos Aires			
Horizons	IRSA	50%	01/16/2007	71,512	-	100%	98%	Buenos Aires	5,225	22,890	117,000
Units to be received				-					-	-	-
Beruti (Astor Palermo) (1)	IRSA Commercial Properties	100%	06/24/2008	2,632	-	-	-	CABA	-	-	-
Caballito Manzana 35	IRSA	100%	10/22/1998	8,258	-	-	-	CABA	-	-	-
CONIL - Güemes 836 - Mz 99 and Güemes 902 - Mz 95 and Retail Stores	IRSA Commercial Properties	100%	11/05/2014	1,389	-	-	-	Buenos Aires	-	-	-
Canteras Natal Crespo (2 commercial parcels)	IRSA	-	-	40,333	-	60,499	-	Buenos Aires	-	-	39

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Subtotal											
Residential			71,557	270,082	60,499				15,085	85,531	141,9
Land Reserves											
Isla Sirgadero	IRSA	100%	02/18/2000	1,360,000	-	-	-	-	Santa Fe	-	-
Pilar R8 Km 53	IRSA	100%	05/29/1998	4,828	-	-	-	-	Buenos Aires	-	-
Pontevedra	IRSA	100%	02/28/1994	3,094	-	-	-	-	Buenos Aires	-	-
Mariano Acosta	IRSA	100%	02/28/1998	6,728	-	-	-	-	Buenos Aires	-	-
Merlo	IRSA	100%	02/28/1998	1,987	-	-	-	-	Buenos Aires	-	-
San Luis Plot of Land	IRSA	50%	03/31/2005	2,523	-	-	-	-	San Luis	-	-
Subtotal Land Reserves			14,388,622	-	-	-	-	-	-	-	-
Future Developments											
Mixed Uses											
UOM Lujan (7)	IRSA Commercial Properties	100%	05/31/2000	1,600,000	-	-	N/A	N/A	Buenos Aires	-	-
La Adela	IRSA	100%	08/01/2000	2,000,000	-	-	N/A	N/A	Buenos Aires	1,400	-
Nobleza Piccardo (8)	IRSA Commercial Properties	50%	05/31/1995	5,995	-	127,996	N/A	N/A	Buenos Aires	-	-
Puerto Retiro	IRSA	50%	05/18/1997	2,097	-	-	N/A	N/A	CABA	-	-
Solares Santa María (9)	IRSA	100%	07/10/1998	1,958	-	-	N/A	N/A	CABA	-	-
Residential											
Coto Abasto Air Space	IRSA Commercial Properties	100%	09/24/1997	-	21,536	N/A	N/A	CABA	-	-	-
Neuquén – Housing Plots of Land	IRSA Commercial Properties	100%	07/06/1999	-	18	N/A	N/A	Neuquén	-	13,390	-
Uruguay Zetol	IRSA	90%	06/01/2007	52,097	62,756	-	N/A	N/A	Uruguay	-	-
Uruguay Vista al Muelle	IRSA	90%	06/01/2006	22,096	62,737	-	N/A	N/A	Uruguay	-	-
Pereiraola (Greenville)	IRSA	100%	04/21/2010	-	39,634	-	-	-	Buenos Aires	-	-
Retail											
Caballito Shopping Plot of Land (10)	IRSA Commercial Properties	100%	-	23,791	-	-	N/A	N/A	CABA	-	-
Potential Dot Expansion	IRSA Commercial Properties	80%	-	15,881	-	47,643	N/A	N/A	CABA	-	-
Offices		80%	11/28/2006	-	38,4	N/A	N/A	CABA	-	-	-



Philips IRSA  
 Adjoining Plots Commercial  
 - Offices 1 and Properties

2

Baicom	IRSA	50%	12/28/2009	-	34,5	N/A	N/A	CABA	-	-	-
Intercontinental	IRSA										
Plaza II(11)	Commercial Properties	100%	02/28/1998	-	19,598	N/A	N/A	CABA	-	-	-
Catalinas Norte											
Plot	IRSA	100%	12/13/2009	-	35,3	N/A	N/A	CABA	-	-	-
Subtotal Future											
Development				13,035,458	165,127	342,973			1,400	13,390	-
Total Land											
Reserves				27,495,637	435,209	403,472			16,485	98,921	141,9

- (1) Area intended for sale means own square meters of residential apartments, including parking spaces and storage spaces. Stated at 100%, before any sale.
- (2) Sold % comprises such sale transactions for which a Purchase Agreement (Boleto) has been executed, for which Possession has been taken or a Title Deed has been signed. Includes square meters of residential apartments, parking and storage spaces.
- (3) The Title Deed executed % comprises such sale transactions for which a Title Deed has been executed. Includes the square meters of residential apartments, parking and storage spaces.
- (4) In such case where IRSA/IRSA Commercial Properties received units under a barter agreement, the "Area intended for sale" corresponds to such area received rather than the entire development.
- (5) The Area intended for sale includes 31,224 sqm of land and 4,712.81 sqm in the aggregate of La Casona (deducting 1,331.76 sqm of ground floor).
  - (6) The Area intended for sale does not include 171 commercial parking spaces to be received or rebate units.
- (7) The Feasibility of Mixed Uses Permit has been applied for and provincial approval is pending.
- (8) The 127,996 square meters derive from the current regulations, we are working on a preliminary project of 479,415 square meters intended for construction (pending approval).
- (9) The Feasibility permit has been applied for 716,058 square meters intended for construction, and approval is pending from the Legislature of the City of Buenos Aires.
- (10) Preliminary project of 71,374 square meters intended for construction, approval of urban parameters is pending.
- (11) The 6,135 square meters of Land are those of the parcel, which includes Inter I and II. During May, 2015, we reported that, through IRSA Commercial Properties, we have signed an agreement to transfer to a non related party 8,470 sqm corresponding to nine office floors and the sign of the deed and the delivery of the units was on June 30, 2015. During September, 2015, we sold through IRSA Commercial Properties seven floors of Intercontinental Plaza, for more information please see "Item 4. Recent Developments."
- (12) On September 3, 2015, we signed the transfer deed for the sale of the "Isla Sirgadero" plot of land. The price of the transaction was Ps. 10.7 million.

#### Residential Apartments and Lofts.

In the residential market, we acquire undeveloped properties strategically located in densely populated areas of the City of Buenos Aires, particularly properties located near shopping centers and hypermarkets or those to be constructed. We then develop multi-building high-rise complexes targeting the middle- and high- income market. These are equipped with modern comforts and services, such as open “green areas,” swimming pools, sports and recreation facilities and 24-hour security. In the loft buildings market, our strategy is to acquire old buildings no longer in use located in 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 I – City of Rosario, Province of Santa Fe (IRSA Commercial Properties)

As of June 30, 2015, the project has been completed, and one parking space is available for sale.

##### Condominios del Alto II – City of Rosario, Province of Santa Fe (IRSA Commercial Properties).

As of June 30, 2015, works in parcel H have been completed; all units under the barter agreement have been received and 13 parking spaces and two storage spaces are available for sale.

##### San Martín de Tours – 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, 2015, the project is completed and there are 2 parking spaces pending sale.

##### El Encuentro - Benavidez, Tigre – Province of Buenos Aires.

In the district of Benavidez, Municipality of Tigre, 35 kilometers north of downtown Buenos Aires, there is a 110-hectare gated residential complex known as “El Encuentro”, consisting of a total of 527 lots and a total saleable area of 610,785.15 sqm with two privileged front accesses: the main one to Vía Bancalari and the service one to Highway N° 9, allowing an easy way to and from the city. As of June 30, 2015, all the units have been 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 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, 2015 there is one lot 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 decade of the thirties by architect José Mille. This little French-style palace of the XIX century has 4,700 sqm distributed over four floors and a garden of around 30,000 sqm.

Horizons, Vicente López, Olivos, Province of Buenos Aires.

The IRSA-CYRELA Project, developed over two adjacent blocks, was launched in March last 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, thus totaling 59,000 square meters built of saleable area distributed in 467 units (excluding the units to be delivered as consideration for the purchase of the lands). Horizons is a unique and style-innovating residential complex offering 32 amenities, including a meeting room, work zone, heated swimming pools, mansion with spa, sauna, gym, children room, teen room, thematically landscaped areas, and aerobic trail. The showroom was opened to the public in March 2008 with great success. As of June 30, 2015, the project was fully built and 3 apartments, 3 parking spaces and 1 storage space are pending execution of the title deed. The stock available for sale consists of 8 parking spaces and 52 storage spaces.

Units to be received under barter agreements

Beruti Plot of land – City of Buenos Aires.

On October 13, 2010, the Company, through its subsidiary IRSA Commercial Properties, and TGLT S.A. (“TGLT”) entered into a barter agreement in connection with a plot of land located at Beruti 3351/59 in the City of Buenos Aires for cash and future residential apartments to be constructed by TGLT in the plot. The transaction value was agreed on US\$18.8 million, of which US\$10.7 million has already been paid. TGLT is currently building an apartment building with residential and commercial parking spaces, in which, in accordance with the terms of the agreement, TGLT will transfer to IRSA Commercial Properties (i) certain units to be determined, representing 17.33% of the aggregate surface of the residential space, (ii) a number of parking spaces to be determined, representing 15.82% of the aggregate surface of the parking spaces, (iii) all the commercial parking spots in the future building.. To ensure performance of the obligations assumed by TGLT under the deed of sale, a mortgage was granted in favor our subsidiary.

An organization called “Asociación Amigos Alto Palermo” filed a write of relief in order to prevent the construction works and obtained a precautionary measure for the suspension of the construction works. The Contentious-Administrative and Tax Appellate Court for the City of Buenos Aires ordered the release of the precautionary measure that suspended the works. At present, the write of relief is in the discovery stage, and no judgment has been rendered in that regard. On December 4, 2013, the term for the delivery of the units involved was extended for 11 months and on November 4, 2014 a new 11 month extension was signed. On June 11, 2015 final judgment was rendered in favor of us and TGLT.

Caballito Plot – City of Buenos Aires.

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

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

CONIL – Avellaneda, Province of Buenos Aires (IRSA Commercial Properties)

These plots of the Company face Alto Avellaneda shopping center, totaling 2,398 sqm distributed in two opposite corners and according to urban planning standards, around 6,000 sqm may be built. Its intended use, either through an own development or sale to a third party, is residential with the possibility of a retail space as well. In November 2014, a barter deed was executed for the purpose of developing a residential project and as consideration for it, IRSA Commercial Properties will receive 1,365 sqm of retail stores located on the ground floors of blocks 99 and 95, on Güemes 836 and Güemes 902, respectively. Delivery of the consideration for block 95 is expected to take place in January 2018, and that corresponding to block 99 is scheduled for September 2018. The barter price was US\$ 0.7 million. Land Reserves and development properties

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 almost 400,000 sqm for business purposes within the project to be developed in the site known as Laguna Azul. Delivery of the non-monetary consideration is expected for March 2017. Other land reserves – Isla Sirgadero, Pilar, Pontevedra, Mariano Acosta, Merlo and San Luis plot.

We grouped here those plots of land with a significant surface area the development of which is not feasible in the short term either due to their current urban and zoning parameters, their legal status or the lack of consolidation of their immediate environment. This group totals around 14 million sqm.

Future Developments

Mixed Uses:

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

This 115-hectare plot of land is located in the 62 Km of the West Highway, in the intersection with Route 5 and was originally purchased by Cresud on May 31, 2008 from Birafriends S.A. for US\$ 3 million. In May 2012, IRSA Commercial Properties acquired the property through a purchase and sale agreement entered into between related parties, thus becoming the current owner. Our intention is to carry out a mixed-use project, taking advantage of the

environment consolidation and the strategic location of the plot. IRSA Commercial Properties is seeking to change the zoning parameters to enable the consummation of the project.

#### La Adela

“La Adela” farmland is located 60 kilometers northwest of the City of Buenos Aires, and it is one of our original farmlands. In December 2001, the dairy facility was closed down, using its total surface area for crop production. Between March 2005 and December 2007 CRESUD bought 72 additional hectares which were added to the existing 982 hectares. During the fiscal year ended June 30, 2014, 837 hectares were used for corn and soybean crops. In July 2014 CRESUD sold to us the “La Adela” farm.

#### Ex Nobleza Piccardo Plant – San Martín, Province of Buenos Aires (IRSA Commercial Properties)

On March 31, 2011, Quality Invest S.A. (a subsidiary of IRSA Commercial Properties, with a 50% equity interest) and Nobleza Piccardo S.A.I.C. y F. (Nobleza) executed the title deed for the purchase of a plot of land extending over 160,000 square meters located in the District of San Martín, Province of Buenos Aires, currently used for industrial purposes and suitable in terms of characteristics and scales for mixed-use developments. The price for the property was US\$ 33 million, 30 % of which was paid at such time. A first-priority mortgage was created for the balance of the price on the property, in favor of Nobleza. The balance plus interest at a nominal annual rate of 7.5% on the outstanding balance were paid in full –principal plus interest- in March 2013, by advancing payments.

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

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

Pursuant to an Ordinance enacted on December 30, 2014, a process was initiated to obtain a rezoning permit for the plot of land to be used mainly for Commercial Purpose, which considerably expands the uses and potential buildable square meters through new urban indicators; such process is pending approval of the enacted Ordinance by the Government of the Province of Buenos Aires pursuant to a Decree.

As approved in the Ordinance, on January 20, 2015 Quality Invest 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.

#### 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, so we have initiated negotiations with municipal authorities in order to rezone the area. We own a 50% interest in Puerto Retiro.

On April 18, 2000, Puerto Retiro S.A. was served notice of a filing made by the Argentine Government, through the Ministry of Defense, seeking to extend the petition in 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 it had 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 the Company.

The evidentiary stage of the legal proceedings has already concluded. The Company 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 former directors of the Company, 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 limitation period has been declared in the criminal action and the criminal defendants have been acquitted. However, this decision was reversed by the Criminal Court of Cassation (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.

The Management and the legal counsel to the Company 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 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.

In July 2013 the answer to the civil action was filed, 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. As of the date hereof no resolution has been issued in such regard. While the court does not issue a decision on the asserted defenses, it is hard to foresee whether Puerto Retiro will succeed or not in this case.

#### 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. Through our subsidiary Solares de Santa María S.A. we are owners of this property. We intend to develop this property for mixed purposes, i.e. our development project involves residential complexes as well as offices, stores, hotels, sports and sailing clubs, services areas with schools, supermarkets and parking lots.

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

In March 2007, a committee of the Government of the City of Buenos Aires, composed of representatives from the Legislative and Executive Branches issued a report stating that such Committee had no objections to our development plan and requested that the 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 Government Chief of the City of Buenos Aires executed

Decree N° 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 N° 1584/07 in 2007, several municipal approvals are still pending and in December 2007, a municipal court rendered a decision restricting the implementation of our proposed development plan, due to objections made by a legislator of the City of Buenos Aires, alleging the suspension of Decree N° 1584/07, and each construction project and/or the municipal permits granted for business purposes. Notwithstanding the legality and validity of the Decree N° 1584/07, we entered into an agreement 5/10 that was executed with the Government of the City of Buenos Aires, which has been sent with a legislative bill to the Legislature of the City of Buenos Aires under number 976-J-2010, for approval.

On October 30, 2012 a new agreement was executed with the Government of the City of Buenos Aires, replacing all those already executed, whereby new obligations were agreed upon between the parties for the consummation of the project. To that end, such Agreement – as well as the previous ones – shall be countersigned and approved by the Legislative Branch of the City of Buenos Aires by enacting a bill that is attached to the project. As of to date, the project is pending such legislative treatment. Residential

#### Coto Residential Project (IRSA Commercial Properties)

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

#### Neuquén Parcela Viviendas – Neuquén, Province of Neuquén (IRSA Commercial Properties)

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

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

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

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

The total purchase price for Zetol S.A. was US\$ 7.0 million; of which US\$ 2.0 million were paid. Sellers may opt to receive the balance in cash or through the delivery of units in the buildings to be constructed in the land owned by Zetol S.A. equivalent to 12% of the total marketable meters to be constructed.



Besides, Vista al Muelle S.A. owned since September 2008 a plot of land purchased for US\$ 0.83 million. Then, in February 2010, plots of land were acquired for US\$ 1 million, the balance of which as of to date amounts to US\$ 0.28 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, the Company 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, 2015, our stake, through Tyrus, in Liveck is 100%.

As a result of the plot barter agreements executed in due time between the Intendencia Municipal de Canelones “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. The urban project and the design of the first tower are being developed.

Pereiraola (Greenville), Hudson – Province of Buenos Aires

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

Retail

Caballito Plot – City of Buenos Aires (IRSA Commercial Properties)

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 IRSA Commercial Properties purchased in November 1997. This plot would allow developing a shopping center having 30,000 sqm, a hypermarket, a cinema complex, and several recreation and entertainment activity areas. The legislature of the City of Buenos Aires has received a legislative bill to approve the zoning parameters corresponding to this property which already has the consent of the Executive Branch.

Dot Adjoining Plot – City of Buenos Aires (IRSA Commercial Properties)

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

On June 3, 2013, we were given notice that the Government of the City of Buenos Aires had approved the requested parcel subdivision of the ex-Philips plot. As a result, the property was divided into three parcels: 2 parcels of approximately 6,400 sqm and a parcel adjoining DOT Baires 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 Commercial Properties)

These two parcels of 6,400 sqm with construction capacity of 19,200 sqm each, are a significant land reserve jointly with a plot where the extension of Dot Baires Shopping is planned. As a result of major developments, the intersection of Av. General Paz and the Panamerican Highway has experienced a significant growth in recent years. The project of these parcels will conclude the consolidation of this area.

### 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.

### Catalinas Norte Plot - City of Buenos Aires.

Facing the River Plate, this plot is in a privileged location. Having been witness to one of the largest vertical developments in the city, the Catalinas district has consolidated itself as the paramount office real estate area in the city. The project, featuring 35,300 square meters to be built on the ground floor comprises a tower of 37 floors including 4 ground floors, an open ground floor, mezzanine, dining and multipurpose room on the first floor, 28 office floors, 2 terrace floors and one mechanical room.

### Intercontinental Plaza II Plot - City of Buenos Aires (IRSA Commercial Properties)

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

## Hotels

During fiscal year 2015, 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
						2015	2014	2013	
Intercontinental (3)	11/01/1997	74 %	309	68.74	% 1,276	143,281	123,925	87,081	51,875
Sheraton Libertador (4)	03/01/1998	80 %	200	75.75	% 1,142	93,801	74,178	52,089	31,400
Llao Llao (5)	06/01/1997	70 %	205	51.37	% 2,746	159,215	133,459	86,666	81,539
Total	-	-	714	65.69	% 1,564	396,297	331,562	225,836	164,814

(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 and 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, health club, 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. The occupancy of the hotel decreased in the April-June quarter due to eruption of the Calbuco volcano which resulted in a significant reduction of bookings for stays for such period.

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. The hotel is managed by the Intercontinental Hotels Corporation. During this year the hotel remodeled floors 6, 7 and 8, totaling 61 remodeled rooms that required an investment of Ps. 8.8 million.

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, 8 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. During this year the hotel lobby was remodeled. The investment amounted to Ps. 5.0 million.

Sale of Interest in Bitania 26 S.A, owner of Hotel Savoy (Rosario – Santa Fe)

On February 5, 2015, the Company indirectly sold 100% of its equity interest in Bitania 26 S.A., owner of Hotel "Savoy" in the city of Rosario (Province of Santa Fe), which accounts for 49% of its capital stock, for US\$ 4.2 million. The income from the transaction amounted to approximately Ps. 13.3 million.

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\$ 7.0 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.

International:

Lipstick Building, New York, NY

The Lipstick Building is a landmark building in the City of New York, located at 885 Third Avenue, 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 after its original elliptic form and the reddish color of its façade. Its gross leasable area is around 57,500 sqm distributed in 34 stories.

As of June 30, 2015, this building had an occupancy rate of 91.86% generating average revenues of US\$ 64.74 per sqm.

Lipstick Building                      Jun-15      Jun-14

			YoY Var
Gross Leasable Area (sqm)	58,094	58,092	-
Occupancy	91.86 %	88.94 %	2.92pp
Rent (US\$/sqm)	64.74	63.69	1.65 %

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As of June 30, 2015, 2 additional lease agreements had been executed totaling an aggregate surface area of 22,585 additional square meters, to be actually occupied during the next fiscal year, causing its occupancy rate to rise to 95.47% and its average rental price to US\$ 65.09 per sqm.

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.

#### Sale of 183 Madison Ave, New York, NY

In September 2014, the Company, acting through its subsidiary Rigby closed the sale of Madison 183 building, located in the city of New York, United States of America, for US\$ 185 million, and discharged the mortgage on this asset for US\$ 75 million. In December 2010 we had acquired a 49% stake in Rigby, owner of the building, which we valued at US\$ 85.1 million. In November 2012 we increased our interest by 25.5%, and thus became holders of a 74.50% stake in Rigby's stock capital. At the time of this purchase the building was valued at US\$ 147.5 million. The building's sale price, of US\$ 185 million, implies an appreciation of 117% during the investment period. During the second quarter of 2015 we recorded a balance of \$ 188.3 million due to reversal of the conversion reserve generated in Rigby resulting from the partial repayment of principal.

#### Sale of remaining interest in Hersha Hospitality Trust

Hersha is a REIT listed on the New York Stock Exchange under the ticker "HT". Hersha mainly invests in institutional hotels located in shopping centers, suburban commercial areas and secondary destinations and markets mainly located in the northeastern region of United States and in selected markets of the western coast of the United States. Hersha acquires properties in areas where it believes there is a developing market and has a proactive management that seeks to create and add value in the long term.

In the first quarter of 2015, IRSA indirectly held 1,000,000 common shares in Hersha, which were sold at an average price of US\$ 6.74 per share. As a result, the company holds no share interest in Hersha.

#### Investment in Condor

We hold our investment in the Condor, through our subsidiary RES, in which we hold a 66.8% interest. Condor is a U.S. REIT listed in Nasdaq and is focused on middle-class and long-stay hotels, throughout 21 states in the United States of America, 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. In March 2015 a new CEO was appointed, who is working in relaunching the REIT. The REIT's name has been changed from Supertel Hospitality Inc. to Condor Hospitality Trust, and its ticker in Nasdaq has been changed from "SPPR" to "CDOR". The strategy is based on the selective disposition of hotels within a lower category range and replacing them with hotels in higher categories. The company's results for the first six months of 2015 show an improvement in its rental and hotel occupancy operating ratios and sales of assets for attractive prices.

#### Investment in IDBD.

For this information, see "Item A. History and Development of the Company—Significant acquisitions, dispositions and development of business—Fiscal year ended June 30, 2015— Investment in IDBD" and "—Recent Developments."

#### Financial Operations and Others:

Our interest in Banco Hipotecario.

As of June 30, 2015, we held a 29.99% interest in Banco Hipotecario, which represented 14.08% of our consolidated assets as of such date. 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 60 branches in the 23 Argentine provinces and the City of Buenos Aires, and 15 additional sales offices. Additionally, its subsidiary Tarshop has 27 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, 2015, Banco Hipotecario ranked thirteenth in the Argentine financial system in terms of shareholders' equity and thirteenth in terms of total assets. As of June 30, 2015, Banco Hipotecario's shareholders' equity was Ps. 4,700.7 million, its consolidated assets were Ps. 33,321.4 million, and its net income for the twelve-month period ended June 30, 2015 was Ps. 537.2 million. Since 1999, Banco Hipotecario's shares have been listed on the Buenos Aires Stock Exchange in Argentina, and since 2006 it has had a Level I ADR program.

Banco Hipotecario continues its business strategy of diversifying its loan portfolio. As a result, non-mortgage loans to the non-financial private sector increased from Ps. 7,676.1 million as of December 31, 2012 to Ps. 10,708.0 million as of December 31, 2013, Ps. 14,845.9 million as of December 31, 2014 and Ps. 16,551.9 million as of June 30, 2015, increasing the interest in the aggregate loan portfolio to the non-financial private sector from 80.4% as of December 31, 2012 to 87.0% as of June 30, 2015. Non-performing loans represented 2.3% of its total portfolio as of June 30, 2015.

Furthermore, Banco Hipotecario has diversified its funding sources; it has reduced its international financing and has become one of the most frequent issuers of debt in Argentina by developing its presence in the local capital market and increasing its deposit base. Its financial debt represented 21.8% of the total financing as of June 30, 2015.

Its subsidiaries include BACS, a bank specialized in investment banking and securitization which consolidates with BACS Administradora de Activos S.A. S.G.F.C.I. a company specialized in asset management; BHN Inversión S.A. which consolidates with: BHN Vida S.A., a life insurance company, BHN Seguros Generales S.A., a fire insurance company for home owners; and Tarshop, a company specialized in the sale of consumer financing products and cash advances to non-banking customers.

On October 10, 2012, Banco Hipotecario paid dividends for Ps.100 million, as approved in April 2011 by the Shareholders' Meeting. Furthermore, on August 23, 2013, the General Shareholders' Meeting resolved upon the distribution of Ps. 30 million because of cash dividends on common shares, which were paid on September 20, 2013. Besides, the General Shareholders' Meeting held on April 24, 2014 approved the distribution of cash dividends on common shares for Ps. 42 million that were made available to the shareholders in January 2015.

The following table shows Banco Hipotecario's financing sources(1) as from the dates indicated:

	At June 30,		% Change	
	2015	2014	2015/2014	
	(in millions of Pesos, except for percentages)			
Bonds	Ps. 4,926.7	Ps. 3,501.7	40.7	%
Subordinated Bonds	100.0	-		NM
Borrowings from Central Bank.	0.1	0.1	42.0	%
Borrowings from banks and international entities	297.4	558.4	-46.8	%
Deposits	18,191.2	13,691.3	32.9	%
Total	Ps. 23,515.4	Ps. 17,751.5	32.5	%

(1) Excludes accrued interest.

#### Legal Framework:

##### 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:

- a prohibition to include 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.

##### Rent Increase

In addition, there are contradictory court rulings with respect to whether the rent price can or cannot be increased during the term of the lease agreement. For example, Section 10 of the Public Emergency Law prohibits the adjustment of rent under lease agreements subject to official inflation rates, such as the consumer price index or the wholesale price index. Most of our lease agreements have incremental rent increase clauses that are not based on any official index. As of the date of this document no tenant has filed any legal action against us challenging incremental rent increases, but we cannot assure that such actions will not be filed in the future and, if any such actions were successful, that they will not have an adverse effect on our company.

##### Limits on lease terms



Under the Argentine Civil and Commercial Code lease terms may not exceed fifty years, except for leases regulated by Law N° 25,248 (which provides that real estate leases containing purchase options—leasing inmobiliario— are not subject to term limitations). Generally, terms in our lease agreements go from 3 to 10 years.

#### Right to Termination

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

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

#### Other

While current Argentine government policy discourages government regulation of lease agreements, there can be no assurance that additional regulations will not be imposed in the future by the Argentine Congress, 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 leasable areas. In the event of a significant increase in the amount of such costs and taxes, the Argentine government may respond to political pressure to intervene by regulating this practice, thereby adversely affecting our rental income. The Argentine Civil and Commercial Procedure Code enables the lessor to pursue what is known as an "executory proceeding" upon lessees' failure to pay rent. In executory proceedings debtors have fewer defenses available to prevent foreclosure, making these proceedings substantially shorter than ordinary ones. In executory proceedings the origin of the debt is not under discussion; the trial focuses on the formalities of debt instrument itself. The aforementioned code also permits special eviction proceedings, which are carried out in the same way as ordinary proceedings. The Argentine Civil and Commercial Code requires that a notice be given to the tenant demanding payment of the amounts due in the event of breach prior to eviction, of no less than ten days for leases for residential purposes, and establishes no limitation or minimum notice for leases for other purposes. However, historically, large court dockets and numerous procedural hurdles have resulted in significant delays to eviction proceedings, which generally last from six months to two years from the date of filing of the suit to the time of actual eviction.

#### Development and Use of the Land

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

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

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

#### Sales and Ownership

Buildings Law. Buildings Law N° 19,724 (Ley de Pre horizontalidad) was repealed by the new Argentine Civil and Commercial Code which became effective on August 1, 2015. The new regulations provide that for purposes of execution of agreements with respect to build units or units to be built, the owner is required to purchase insurance in favor of prospective purchasers against the risk of frustration of the operation pursuant to the agreement for any reason. A breach of this obligation prevents the owner from exercising any right against the purchaser—such as demanding payment of any outstanding installments due – unless he/she fully complies with their obligations, but does not prevent the purchaser from exercising its rights against seller.

Protection for the Disabled Law. The Protection for the Disabled Law N° 22,431, enacted on March 20, 1981, as amended, provides that in connection with the construction and renovation of buildings, obstructions to access must be eliminated in order to enable access by handicapped individuals. In the construction of public buildings, entrances, transit pathways and adequate facilities for mobility impaired individuals must be provided for.

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

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

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

Real Estate Installment Sales Law. The Real Estate Installment Sales Law N° 14,005, as amended by Law N° 23,266 and Decree N° 2015/85, imposes a series of requirements on contracts for the sale of subdivided real estate property regarding, for example, the sale price which is paid in installments and the deed, which is not conveyed until final payment of such price. The provisions of this law require, among other things:

- The registration of the intention to sell the property in subdivided plots with the Real Estate Registry (Registro de la Propiedad Inmueble) corresponding to the jurisdiction of the property. Registration will only be possible with regard to unencumbered property. Mortgaged property may only be registered where creditors agree to divide the debt in accordance with the subdivided plots. However, creditors may be judicially compelled to agree to the division.
- The preliminary registration with the Real Estate Registry of the purchase instrument within 30 days of execution of the agreements.

Once the property is registered, the installment sale may not occur in a manner inconsistent with the Real Estate Installment Sales Act, unless seller registers its decision to desist from the sale in installments with the Real Estate Registry. In the event of a dispute over the title between the purchaser and third-party creditors of the seller, the

installment purchaser who has duly registered the purchase instrument with the Real Estate Registry will obtain the deed to the plot. Further, the purchaser can demand conveyance of title after at least 25% of the purchase price has been paid, although the seller may demand a mortgage to secure payment of the balance of the purchase price.

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

#### Other Regulations

**Consumer Relationship. Consumer or End User Protection.** The Argentine Constitution expressly establishes in Article 42 that consumers and users of goods and services have a right to protection of health, safety and economic interests in a consumer relationship. Consumer Protection Law N° 24,240, as amended, regulates several issues concerning the protection of consumers and end users in a consumer relationship, in the arrangement and execution of contracts.

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

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

- deprive obligations of their nature or limit liability for damages;
- imply a waiver or restriction of consumer rights and an extension of seller rights; and
- impose the shifting of the burden of proof from the consumer to the seller in order to protect the 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 was entitled, including closing down of establishments for a term of up to 30 days.

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

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

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

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

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

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

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

Pursuant to Resolution N° 104/05 issued by the Secretariat of Technical Coordination reporting to the Argentine Ministry of Economy, the Consumer Protection Law adopted Resolution N° 21/2004 issued by the Mercosur's Common Market Group which requires that those who engage in commerce over the Internet (E-Business) shall disclose in a precise and clear manner the characteristics of the products and/or services offered and the sale terms. Failure to comply with the terms of the offer is deemed an unjustified denial to sell and gives rise to sanctions.

On September 17, 2014, a new Consumer Protection Law was enacted by the Argentine Congress –Law N° 26,993. This law, known as “System for Conflict Resolution in Consumer Relationships,” provided for the creation of new administrative and judicial procedures for this field of Law. It created a two-instance administrative system: the Preliminary Conciliation Service for Consumer Relationships (Servicio de Conciliación Previa en las Relaciones de Consumo, COPREC) and the Consumer Relationship Audit, and a number of courts assigned to resolution of conflicts between consumers and producers of goods and services (Fuero Judicial Nacional de Consumo). In order to file a claim, the amount so claimed should not exceed a fixed amount equivalent to 55 adjustable minimum living wages, which are determined by the Ministry of Labor, Employment and Social Security. The claim is required to be filed with the administrative agency. If an agreement is not reached between the parties, the claimant may file the claim in court. The administrative system known as Preliminary Conciliation Service for Consumer Relationships (COPREC) is currently in full force and effect. However, the court system (fuero judicial nacional de consumo) is not in force yet, therefore, any court claims should be currently filed with the existing applicable courts. A considerable volume of claims filed against us are expected to be settled pursuant to the system referred to above, without disregarding the full force and effect of different instances for administrative claims existing in the provincial sphere and the City of Buenos Aires, which remain in full force and effect, where potential claims related to this matter could also be filed.

Antitrust Law. Law N° 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. 200.0 million, in such case the respective concentration should be submitted for approval to the Argentine Antitrust Authority (Comisión Nacional de Defensa de la Competencia, "CNDC"). The request for approval may be filed, either prior to the transaction or within a week after its completion.

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

The Antitrust Law provides that economic concentrations in which the transaction amount and the value of the assets absorbed, acquired, transferred or controlled in Argentina, do not exceed Ps. 20.0 million each are exempted from the administrative authorization. Notwithstanding the foregoing, when the transactions effected by the companies concerned during the prior 12-month period exceed in the aggregate Ps. 20.0 million or Ps. 60.0 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. 200.0 million, we should give notice to the CNDC of any concentration provided for by the Antitrust Law.

Credit Card Law. Law N° 25,065, as amended by Law N° 26,010 and Law N° 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 Central Bank, loans granted under credit cards by non-financial entities cannot exceed 25% of the monthly interest rate published by the Central Bank for loans to individuals without security interests.

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

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

On November 6, 2009, the Argentine Congress passed Law N° 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 N° 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 Rule require the obligation to report to the Commission any events of any nature and fortuitous acts that seriously hinder or could potentially hinder performance of our activities, including any events that generate or may generate significant impacts on the environment, providing details on the consequences thereof.

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

## Insurance

We carry insurance for directors and officers covering management's civil liability, as well as legally mandated insurance, including employee personal injury. We do not provide life or disability insurance for our employees as benefits. We believe our insurance policies are adequate to protect us against the risks for which we are covered. Nevertheless, no assurances can be given that the insurance amount purchased by us will be enough to protect ourselves from significant losses. See "Item 3(d). Risk Factors—Risks Relating to our Business."

We carry all-risk insurance for our shopping centers and other buildings covering damages to the property caused by fire, explosion, gas leak, hail, storm and winds, earthquakes, vandalism, theft and business interruption. We also have civil liability insurance covering all potential damages to third parties or goods arising from the development of our businesses throughout the whole Argentine territory. We are in compliance with all the legal requirements relating to mandatory insurance, including statutory coverage under the Occupational Risk Law, life insurance required under collective bargaining agreements and other insurance required by the laws and decrees. Our history of damages is limited to only one claim made as a result a fire in Alto Avellaneda Shopping in March 2006, in which the loss was substantially recovered from our insurers. These insurance policies have all the specifications, limits and deductibles that are customary in the market and which we believe are adequate for the risks to which we are exposed in our daily operations. We also purchased civil liability insurance to cover our directors' and officers' liability.

## Control Systems

IRSA Commercial Properties has a computer systems to monitor tenants' sales in all of our shopping centers (except stands). IRSA Commercial Properties also conduct regular manual audits of its tenants accounting sales records in all of our 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. Likewise, it 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 and Mendoza Plaza Shopping contain a clause requiring tenants to be linked to the computer monitoring system, there being certain exceptions to this requirement.

## 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, 2015:

Subsidiary	Activity	Country of incorporation	Ownership percentage (1)	Voting power percentage	Percentage of our total net revenues			
IRSA Commercial Properties S.A.	Real estate	Argentina	95.80	%	95.80	%	81.06	%
E-Commerce Latina S.A.	Investment	Argentina	100	%	100	%	0	%
Efanur S.A.	Investment	Uruguay	100	%	100	%	0	%
Hoteles Argentinos S.A.	Hotel	Argentina	80	%	80	%	2.76	%
Llao Llao Resorts S.A.	Hotel	Argentina	50	%	50	%	4.68	%
Nuevas Fronteras S.A.	Hotel	Argentina	76.34	%	76.34	%	4.21	%
Inversora Bolívar S.A.	Investment	Argentina	100	%	100	%	0	%
Palermo Invest S.A.	Investment	Argentina	100	%	100	%	0	%

Ritelco S.A.	Investment Uruguay	100	%	100	%	0	%
Solares de Santa Maria S.A.	Real estate Argentina	100	%	100	%	0.14	%
Tyrus S.A.	Investment Uruguay	100	%	100	%	0.83	%
Unicity S.A.	Investment Argentina	100	%	100	%	0.0	%

(1) Includes direct and indirect ownership.

We have a significant interest in Banco Hipotecario, an Argentine company organized under Argentine Law engaged in banking activity. As of June 30, 2015, we owned directly and indirectly 29.99% (without considering treasury shares) of Banco Hipotecario.

#### D. Property, Plant and Equipment

##### Property

As of June 30, 2015, most of our property was located in Argentina. We lease our headquarters, located at Bolívar 108, (C1066AAD) Ciudad Autónoma de Buenos Aires. We do not currently lease any material properties other than our headquarters.



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The following table sets forth certain information about our properties as of June 30, 2015:

Property (6)	Date of Acquisition	Leasable/ Sale m2 (1)	Location	Net Book Value Ps.(2)	Encumbrances Ps./000	Outstanding principal amount Ps./000	Balance due at maturity Ps./000	Rate	Use	Occupancy rate (7)
Intercontinental Plaza(10)	18/11/1997	22,535	City of Buenos Aires	41,106	-	-	-	-	Office Rental	100,0 %
Bouchard 710	01/06/2005	15,014	City of Buenos Aires	60,923	-	-	-	-	Office Rental	100,0 %
Bouchard 551	15/03/2007	-	City of Buenos Aires	7,698	-	-	-	-	Office Rental	100,0 %
Libertador 498	20/12/1995	620	City of Buenos Aires	3,938	-	-	-	-	Office Rental	100,0 %
Maipú 1300 (12)	28/09/1995	4,759	City of Buenos Aires	14,713	-	-	-	-	Office Rental	90.9 %
Madero 1020	21/12/1995	-	City of Buenos Aires	113	-	-	-	-	Office Rental	100,0 %
Suipacha 652	22/11/1991	11,453	City of Buenos Aires	8,255	-	-	-	-	Office Rental	96.7 %
República Building	28/04/2008	19,885	City of Buenos Aires	194,971	-	-	-	-	Office Rental	93.6 %
Dique IV, Juana Manso 295	02/12/1997	11,298	City of Buenos Aires	51,835	-	-	-	-	Office Rental	99.5 %
Torre Bank Boston	27/08/2007	14,873	City of Buenos Aires	138,432	-	-	-	-	Office Rental	100 %
Terreno Catalinas Norte	17/12/2009	N/A	City of Buenos Aires	109,496	-	-	-	-	Other Rentals	N/A
Dot Building (3)	28/11/2006	11,242	City of Buenos Aires	126,365	-	-	-	-	Office Rental	100,0 %
Other Properties (5)	N/A	N/A	City of Buenos Aires	53,627	-	-	-	-	Other Rentals	N/A
Alto Palermo Shopping (3)	23/11/1997	19,545.0	City of Buenos Aires	221,792	-	-	-	-	Shopping Center	99.7 %

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Abasto Shopping (3)	17/07/1994	36,669.1	Aires City of Buenos Aires	255,335	-	-	-	-	-	Shopping Center	100 %
Alto Avellaneda (3)	23/11/1997	36,728.6	Province of Buenos Aires	131,140	-	-	-	-	-	Shopping Center	99,9 %
Paseo Alcorta (3)	06/06/1997	15,432.9	City of Buenos Aires	106,091	-	-	-	-	-	Shopping Center	100 %
Patio Bullrich (3)	01/10/1998	11,636.2	City of Buenos Aires	112,426	-	-	-	-	-	Shopping Center	100 %
Alto Noa (3)	29/03/1995	19,072.9	City of Salta	29,708	-	-	-	-	-	Shopping Center	100 %
Buenos Aires Design (3)	18/11/1997	13,888.2	City of Buenos Aires	12,860	-	-	-	-	-	Shopping Center	94.6 %
Alto Rosario Shopping (3)	09/11/2004	28,395.6	City of Rosario	115,014	-	-	-	-	-	Shopping Center	97.9 %
Mendoza Plaza Shopping (3)	02/12/2004	42,039.5	City of Mendoza	101,657	-	-	-	-	-	Shopping Center	96,1 %
Córdoba Shopping – Villa Cabrera (3)	31/12/2006	15,328.0	City of Cordoba	61,111	Hipoteca - Anticrisis Ene- B73	-	-	-	-	Shopping Center + CER	99,8 %
Dot Baires Shopping (3)	01/05/2009	49,847.9	City of Buenos Aires	377,260	-	-	-	-	-	Shopping Center	99,7 %
Soleil Factory (3)	01/07/2010	13,993.1	Province of Buenos Aires	84,301	-	-	-	-	-	Shopping Center	99.4 %
Alto Comahue (3)	06/07/1999	9,456.9	Province of Neuquen	309,103	-	-	-	-	-	Shopping Center (in construction)	94.2 %
Distrito Arcos (3)	01/12/2011	12,127.3	City of Buenos Aires	229,800	-	-	-	-	-	Shopping Center (in construction)	97.3 %
Santa María del Plata	10/07/1997	716,058	Province of Buenos Aires	158,951	-	-	-	-	-	Land Reserve	N/A
Patio Olmos (3)	25/09/2007	5,147	City of Cordoba	27,050	-	-	-	-	-	Land Reserve	N/A
Caballito Plot of Land	11/03/1997	8,173	City of Buenos Aires	45,812	-	-	-	-	-	Land Reserve	N/A
Other Land Reserves (4)	N/A	14,388,622	City and Province of Buenos Aires.	8,403	-	-	-	-	-	Land Reserve	N/A
Luján (3)	31/05/08	1,160,000	Province of Buenos	33,906	-	-	-	-	-	Land Reserve	N/A

			Aires.								
Hotel Llao Llao (11)	01/06/1997	24,000	Ciudad de Bariloche	81,539	-	-	-	-	-	Hotel	51.37 %
			City of								
Hotel Intercontinental	01/11/1997	37,600	Aires	51,875	-	-	-	-	-	Hotel	68.74 %
			City of								
			Buenos								
Hotel Libertador	01/03/1998	17,463	Aires	31,400	-	-	-	-	-	Hotel	75.75 %

(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; Isla Sirgadero; 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.

(9) Intern information of the Company.

(10) During May, 2015, we reported that, through IRSA Commercial Properties, we have signed an agreement to transfer to a non related party 8,470 sqm corresponding to nine office floors and the sign of the deed and the delivery of the units was on June 30, 2015. During September, 2015, we sold through IRSA Commercial Properties seven floors of Intercontinental Plaza, for more information please see "Item 4. Recent Developments."

(11) Includes Ps. 21,900 thousand of Book Value that corresponds to "Terreno Bariloche."

(12) During November, 2015, we sold two office floors and four units of parking space of Maipú 1300, for more information please see "Item 4. Recent Developments."

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 2015 and 2014 relate to the fiscal years ended June 30, 2015 and 2014, respectively.

For a discussion of results of operations of IRSA Commercial Properties and to assist in understanding changes in the Investment and development properties business, please see "Item 5 Operating and financial review and prospects" in IRSA Commercial Properties' annual report on Form 20-F for the year ended June 30, 2015 which is publicly available on the SEC's website ([www.sec.gov](http://www.sec.gov)). The discussion and analysis of IRSA is for the full annual periods ended June 30, 2015 compared to June 30, 2014.

The management's discussion and analysis of IRSA Commercial Properties' operating financial review and prospects included in IRSA Commercial Properties' 20-F for the year ended June 30, 2015 and 2014 is included only on a supplemental basis.

For more information please see Note 40 to our audited consolidated financial statements, "Foreign currency assets and liabilities".

#### A. Operating Results

##### Evolution of our Business Segments

##### 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 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 1000 retail companies and trademarks composing our selected group of tenants is of utmost importance, as it allows us to offer an adequate mix of tenants for each particular case.

During the fiscal years ended June 30, 2013, 2014 and 2015, our shopping centers revenues were Ps. 1,103.0 million, Ps.1,383.0 million and Ps. 1,778.3 million, respectively.

#### Sales and Developments

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

This year we sold 74.5% of the office building located at Madison Avenue in the City of New York earning that percentage over a total amount of US\$ 185 million and we hold a 49.9% interest in a U.S. 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 34.0% of Condor Hospitality Trust REIT’s voting rights (NASDAQ: CDOR) and we hold, through Dolphin Fund, 49.0% of the Israeli company IDBD, which is one of the largest and most diversified investment groups in Israel, which participates, through its subsidiaries, in numerous markets and industry sectors, including real estate, retail, agricultural industry, insurance, telecommunications, etc. 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, 2013, 2014 and 2015, our Development and Sale of Properties segment had revenues of Ps. 142.0 million, Ps. 85.5 million and Ps. 15.1 million, respectively.

## Offices and Others

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

During the fiscal years ended June 30, 2013, 2014 and 2015, our Office and Other Non-Shopping Center Rental Properties segment had revenues of Ps. 217.2 million, Ps. 271.2 million and Ps. 332.7 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, 2013, 2014 and 2015, our Hotels segment had revenues of Ps. 225.8 million, Ps. 331.6 million and Ps. 396.3 million, respectively.

## 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. During the fiscal years ended June 30, 2013, 2014 and 2015, our International segment had revenues of Ps. 39.0 million, Ps. 83.9 million and Ps. 25.9 million, respectively.

## Financial Operations and Others

As of June 30, 2015 we owned approximately 29.99% of Banco Hipotecario's capital stock, Argentina's leading mortgage lender and provider of mortgage-related insurance and mortgage loan services. Banco Hipotecario restructured its financial debt in 2004 and has recorded attractive results from its operations since then. For the fiscal years ended June 30, 2013, 2014 and 2015, our investment in Banco Hipotecario generated a gain of Ps. 58.7 million, Ps. 184.4 million and Ps. 143.3 million, respectively.

## 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 different periods based on the prevailing opportunities in connection with the sale of properties. No assurance can be given that our results will not continue to be influenced by the periodical sale of properties.

For more information please see Note 40 to our Audited Consolidated Financial Statements, "Foreign currency assets and liabilities".

## Critical Accounting Policies and Estimates

Our Audited Consolidated Financial Statements are prepared in accordance with IFRSs as issued by the IASB, and the accounting policies employed are set out in our Accounting Policies section in the financial statements. In applying these policies, we make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities. The actual outcome could differ from those estimates. Some of these policies require a high level of judgment because the areas are especially subjective or complex.

The discussion below should also be read in conjunction with our disclosure of significant IFRS accounting policies, which is provided in Note 2 to our Audited Consolidated Financial Statements, "Summary of significant accounting policies".

We believe the most critical accounting policies and significant areas of judgment and estimation are in:

- Business combinations;
- Impairment testing of goodwill and intangible assets;
- Determination of the fair value of financial instruments;
- Trading property;
- Allowances;
- Taxation;
- Venture capital organization;
- Acquisition of assets carried out between entities under common control.

#### Business combinations – purchase price allocation

During the fiscal year ended June 30, 2015, we did not acquire new businesses.

#### Impairment testing of goodwill and non-current assets other than goodwill

IFRS requires us to undertake an annual test for impairment of indefinite lived assets and, for finite lived assets, to test for impairment if events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable.

Impairment testing is an area involving management judgment, requiring assessment as to whether the carrying value of assets can be supported by the net present value of future cash flows derived from such assets using cash flow projections which have been discounted at an appropriate rate. In calculating the net present value of the future cash flows, we are required to make certain assumptions in respect of highly uncertain matters including management's expectations of estimates of future cash flows, market rents for similar properties in the same location and condition, and discount rates.

For purposes of the impairment testing, we group assets at the lowest levels for which there are separately identifiable cash flows, known as cash generating units or CGUs. Given the nature of our assets and activities, most of our individual assets do not generate independent cash flows that are independent of those from CGUs. Therefore, we estimate the recoverable amount of the CGU to which the asset belongs, except where the fair value less costs to sell of the individual asset is higher than its book value; or the value in use of the asset can be estimated as being close to its fair value less costs to sell, where fair value can be reliably determined.

Generally, we consider each shopping center, office building and undeveloped property as a separate CGU. Details of the methods, estimates and assumptions we make in our annual impairment testing of goodwill are included in Note 6 in the Consolidated Financial Statements. No impairment of goodwill was identified.

#### Fair value of derivatives and other financial instruments

The fair values of financial instruments that are not traded in an active market are determined by using valuation techniques. We use our judgment to select a variety of methods and make assumptions that are based on market conditions existing at statement of financial position. When no quoted prices in an active market are available, fair values (particularly with derivatives) are based on recognized valuation methods.

The company developed an internal valuation model to determine the fair value of the IDBD shares under these circumstances. This model is principally based and is sensitive to the number of shares eligible to be tendered. In one end of the spectrum, all of the shares outstanding may be tendered, and on the opposite end, only the Creditors' shares are eligible for tendering as per the judge's ruling. The objective of the methodology is to arrive at a fair value of the IDBD's share by subtracting from the quoted market price the value of the right to participate in the tender offer embedded in such quoted price. The relative weight of the "right to participate in the tender offer" embedded in IDBD's quoted market price is sensitive and varies depending on the number of shares deemed eligible for tendering. Each scenario reflects a different number of shares eligible for tendering. A probability of occurrence has been assigned to each scenario based on available evidence. This methodology results in a weighted-probability value representing the fair value of IDBD's shares recognized in the financial statements. The company considers this value as a reasonable proxy for the fair value of the IDBD share.

We use 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
Foreign currency-contracts	Present value method	Theoretical price	Money market curve, interest-rate curve; Foreign exchange curve.	-
Commitment to tender offer IDBD	Black-Scholes	Theoretical price	Underlying asset price; share price volatility (historical) and interest-rate curve (NIS rate curve).	Underlying asset price 3.5 to 4.7 Share price volatility 30% to 40% Money market interest rate 0.7% to 1%
Other Borrowings IDBD Shares	Weighted probability of the difference between market price and the Commitment to tender offer of shares in IDBD	Theoretical price	Underlying asset price; share price volatility (historical) and interest-rate curve (NIS rate curve). IRSA 2017 interest-rate and scenario weights.	Underlying asset price 1.55 to 2.35 Share price volatility 60% to 80% Money market interest rate 0.02% to 0.9%
	Weighted probability of the difference between market price and the Commitment to tender offer of shares in IDBD	Theoretical price	Underlying asset price; share price volatility (historical) and interest-rate curve (NIS rate curve). IRSA 2017 interest-rate and scenario weights.	Underlying asset price 1.55 to 2.35 Share price volatility 60% to 80% Money market interest rate

				0.02% to 0.9%
Call option of Arcos	Discounted cash flow	-	Projected income and discounted interest rate.	-
Interest rate swaps	Cash flow	Theoretical price	Interest rate and cash flow forward contract.	-
				Underlying asset price 1.96 to 2.65 Share price volatility 56% to 76% Money market interest rate
Preferred shares of Condor	Binomial tree	Theoretical price	Underlying asset price (market price), share price volatility (historical) and money market interest-rate curve (Libor rate).	0.67% to 0.83%
				Underlying asset price 1.96 to 2.65 Share price volatility 56% to 76% Money market interest rate
Warrants of Condor	Black-Scholes	Theoretical price	Underlying asset price (market price), share price volatility (historical) and money market interest-rate curve (Libor rate).	0.67% to 0.83%

#### Allowance for trade receivables

We maintain an allowance for trade receivables to account for estimated losses resulting from the inability of customers to make required payments. When evaluating the adequacy of an allowance for trade receivables, we base our estimates on the aging of accounts receivable balances and historical write-off experience, customer credit worthiness and changes in customer payment terms. If the financial condition of customers were to deteriorate, actual write-offs might be higher than expected.

#### Trading properties

Trading properties include land and work in progress in respect of development sites with a view to sale. Trading properties are carried at the lower of cost or net realizable value. On each development, judgment is required to assess whether the cost of land and any associated construction work in progress is in excess of its net realizable value. Net realizable value is the estimated selling price in the ordinary course of business less estimated costs to completion and estimated selling costs.

The estimation of the net realizable value of our trading properties under development is inherently subjective due to a number of factors, including their complexity, unusually large size, the substantial expenditure required and long timescales to completion. In addition, as a result of these timescales to completion, the plans associated with these developments could be subject to significant variation. As a result, the net realizable values of our trading properties are subject to a degree of uncertainty and are made on the basis of assumptions, which may not prove to be accurate.

If actual results differ from the assumptions upon which the external valuer has based its valuation, this may have an impact on the net realizable value of our trading properties, which would in turn have an effect on our financial condition.

#### Taxation

We are subject to income taxes in numerous jurisdictions. Our tax charge on ordinary activities is the sum of the total current and deferred tax charges. The calculation of our total tax charge necessarily involves a degree of estimation and judgment in respect of certain items whose tax treatment may not be always determined with certainty due to interpretation. The final resolution of some of these items may give rise to material profits, losses and/or cash flows. The complexity of our structure makes the degree of estimation and judgment more challenging. The resolution of issues may not always be within our control and may depend on the efficiency of legal action, if necessary. Issues can, and often do, take many years to resolve. Payments in respect of tax liabilities for an accounting period result from payments on account and on the final resolution of open items. As a result there can be substantial differences between the tax charge in the Consolidated Income Statements and tax payments.

We recognize deferred tax assets only to the extent it is probable that future taxable profit will be available against which the temporary differences can be utilized. We assess the realizability of deferred tax assets by considering whether it is probable that some portion or all of the deferred tax assets will not be realized. We consider the scheduled reversal of deferred tax liabilities, projected future taxable income and tax planning strategies in making this assessment. As of June 30, 2015, we recognize Minimum Presumed Income tax (MPIT) credit for Ps. 127,5 million of which Ps. 5,7 million was impairment.

The amounts recognized in the Audited Consolidated Financial Statements in respect of each matter are derived from the Company's best estimation and judgment as described in Note 5 to the Audited Consolidated Financial Statements.

#### Venture Capital Organization

We generally account for our investments in associates under the equity method. However, 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 we are 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.

#### Acquisition of assets carried out between entities under common control

The Company has elected to recognize acquisition of assets or group of assets carried out between entities under common control who also qualify as “Business Combination” according to IFRS 3, using acquisition method.

#### Overview

We are one of Argentina’s leading real estate companies in terms of total assets. We are engaged, directly and indirectly through subsidiaries, equity investees and joint ventures, in a range of diversified real estate-related activities in Argentina, including:

- the acquisition, development and operation of shopping centers,
- the acquisition and development of office and other non-shopping center properties primarily for rental purposes,
- the acquisition and operation of luxury hotels,
- the development and sale of residential properties,
- the acquisition of undeveloped land reserves for future development or sale, and
- selective investments outside Argentina.

## Argentine Macroeconomic Environment

Substantially all of our assets are located in Argentina, where we conduct our operations. Therefore, our financial condition and the results of our operations are significantly dependent upon the economic conditions prevailing in Argentina.

The table below shows Argentina's GDP growth, inflation, Dollar exchange rates and the appreciation (devaluation) of the Peso against the U.S. Dollar for the indicated periods.

	Fiscal year ended June 30,			
	2015	2014	2013	
GDP growth	1.2 %	0.0 %	5.5 %	
Inflation (IPIM)(1)	13.6 %	27.7 %	13.5 %	
Inflation (CPI)(2)	15.0 % (4)	15.0 % (4)	10.5 %	
Appreciation (depreciation) of the Peso against the U.S. Dollar	(12 %)	(50.6 %)	(19.1 %)	
Average exchange rate per US\$1.00(3)	Ps.8.6098	Ps.6.9333	Ps.4.9339	

(1) IPIM is the wholesale price index as measured by the Argentine Ministry of Economy and Production.

(2) CPI is the consumer price index as measured by the Argentine Ministry of Economy and Production.

(3) Represents average of the selling and buying exchange rate.

(4) Since 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 after the new consumer price index was introduced.

Sources: INDEC, Argentine Ministry of Economy and Production, Banco de la Nación Argentina.

According to the IMF, Argentina's growth projections for 2015 show that GDP expected to contract by 0.3%. This decrease is based largely on the mismatch in the balance of payments and significant deterioration in the availability of external financing.

Consumption continues to be the main driver of economic activity: sales in shopping centers and supermarkets grew 33.3% and 26.1%, respectively, in nominal terms as of June 2015 compared with the same period of 2014, mainly due to higher salaries in nominal terms.

Argentine GDP grew 1.2% during fiscal year 2015, compared to stagnation in fiscal year 2014. Consumption was the primary driver of economic activity, as shopping center sales grew 36.6% as of August 2015, compared to June 2014, driven by the increase in nominal salaries. As of June 2015, the unemployment rate was at 6.6% of the country's economically active population, a year on year decrease of 12 percentage points.

Argentina's country risk, measured by the Emerging Market Bond Index, decreased 93 basis points as of June 30, 2015, compared to June 30, 2014, maintaining a high spread vis-à-vis the rest of the countries in the region. The debt premium paid by Argentina was at 631 points in June 2015, compared to 304 paid by Brazil and 194 paid by Mexico.

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 most of the lease agreements in our shopping centers, our main source of 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.

#### Factors that Affect our Results

##### Effects of inflation

From 1997 until the end of year 2001, the Argentine government's policies substantially reduced the level of inflation. Therefore, during that period, inflation did not significantly affect our financial condition and results of operations. The following are annual inflation rates since 2002, published by the Argentine Ministry of Economy and Production:

Year ended June 30,	Consumer Price Index		Wholesale Price Index	
2002	28.4	%	88.2	%
2003	10.2	%	8.1	%
2004	4.9	%	8.6	%
2005	9.0	%	7.7	%
2006	11.0	%	12.1	%
2007	8.8	%	9.4	%
2008	9.3	%	13.8	%
2009	5.3	%	5.6	%
2010	11.0	%	15.5	%
2011	9.7	%	12.5	%
2012	9.9	%	12.8	%
2013	10.5	%	13.5	%
2014	15.0	%(1)	27.7	%
2015	15.0	%	13.4	%

(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.

Continuing increases in inflation are likely to have an adverse effect on our operations. Additionally, the minimum lease amounts paid by tenants in our shopping centers are generally adjusted in accordance with the CER, an inflation index published by the Central Bank. Although higher inflation rates in Argentina may increase the minimum lease amount, given that tenants tend to pass on any increases in their own expenses to consumers, higher inflation may lead to increased sale prices charged by tenants for their products, which will ultimately reduce their sales volumes and consequently the portion of rent we receive based on their total sales.

Since the INDEC modified its methodology used 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. However, 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 Argentinian Congress and the provincial statistic agencies. See "Risk Factors—There are concerns about the accuracy of Argentina's official inflation statistics."

#### Seasonality

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

#### 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 necessarily 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 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. Since many of our customers have their cash flows in Pesos, a fluctuation in the exchange rate may increase their U.S. Dollar-denominated liabilities. 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 this fiscal year, Argentina's Peso devalued against the U.S. Dollars and other currencies by approximately 12%, which causes an impact on the comparability of the figures disclosed in the Audited Consolidated Financial Statements stemming from exposure to the exchange rate, above all, in our revenues from office rentals and our net assets and liabilities as detailed in Note 40 to our Consolidated Financial Statements, denominated in foreign currency; as well as the Income/(loss) from our International segment.

#### 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

Company's Executive Committee (Chief Operating Decision Maker, "CODM"), without prejudice of the powers and responsibilities of the management body, that is the Board of Directors, in deciding how to allocate resources and in assessing performance. The Executive Committee evaluates the business based on the differences in the nature of its products, operations and risks. The amount reported for each segment item is the measure reported to the Executive Committee and subsequently informed for these purposes to the top management body that is the Company's Board of Directors. In turn, the Board of Directors' management is assessed by the Shareholders' Meeting, which is the governance body.

Segment information has been prepared and classified according to different types of businesses in which we conduct our activities. The Company operates in an area of "Investment and Development Properties business" which comprises the following segments:

•The "Shopping Centers" segment includes the operating results of the Company's 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 operating results of the Company's lease revenues of office and other rental space and other service revenues related to the office activities.

•The "Sales and Development" segment includes the 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 the Company's hotels mainly comprised of room, catering and restaurant revenues.

•The "International" segment includes profit or loss on investments in subsidiaries and/or associates 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 investment in IDBD at fair value.

•The "Financial operations and others" segment primarily includes the financial activities carried out by the associates Banco Hipotecario and Tarshop, and consumer finance residual financial operations of Apsamedia S.A. (currently merged with IRSA Commercial Properties). The e-commerce activities conducted through the associate Avenida Inc. are also included until the first quarter of the current fiscal year. This investment began to be considered a financial asset from the second quarter of this fiscal year.

The shopping center properties of the Company are all located in Argentina, the country of domicile of the Company. Mainly, the Company's offices and other rental properties are also located in Argentina. Properties of the Company located in United States, are discloses in column "International". The Company's hotels are located in Argentina and United States. The Company's trading properties are located in Argentina and Uruguay.



During the years ended June 30, 2015, 2014 and 2013, revenues attributable to the segment “Offices and Others” include Ps. 52.7 million, Ps. 44.1 million and Ps. 34.2 million, which account for, in the three years, 16% of the total revenues derived from that segment, pertaining to a particular tenant.

In the last quarter of the fiscal year, the Company has changed the presentation of the consolidated statement of comprehensive income which is reviewed by the CODM for purposes of assigning resources and assessing performance for the fiscal year for a better alignment with the current business vision and the metrics used to such end. These amendments affected the shopping centers and office and others segments. The information examined by the CODM does not include the amounts pertaining to building administration expenses and collective promotion funds from the Consolidated Statement of Comprehensive Income, and so does it exclude total recovered costs as they are not analyzed to assess the operating performance of the segment. The CODM examines the net amount from these items (total surplus or deficit between building administration expenses and collective promotion funds and recoverable expenses).

In addition, in the last quarter of the fiscal year 2015, the Company has modified how it presents the gain/loss on the sale of investment property in segment information, which is revised by CODM. The information reviewed by CODM includes the gain/loss on the sale of investment properties within sales and development segment, regardless of the segment where the property would have been originally located. These modifications affected the segments of sales and development and international. Considering that in the comparative periods presented there were not sales of investment properties in the international segment, it was not necessary to retroactively adjust the amounts pertaining to prior fiscal years.

Furthermore, the CODM regularly reviews the following categories of assets: investment properties; property, plant and equipment; trading properties; goodwill; rights to receive future units under barter agreements; inventories; investments in associates; and the investment in the Entertainment Holding S.A. joint venture. The aggregate of these assets are disclosed in these financial statements as “operating segment assets”. The measurement principles for the operating segment assets are based on the IFRS principles adopted in the preparation of the consolidated financial statements, except for the Company’s share of assets of the joint ventures, Nuevo Puerto Santa Fe S.A., Quality Invest S.A., Cyrsa S.A., Baicom S.A., and Puerto Retiro S.A., which are all reported to the CODM under the proportionate consolidation method. Under this method, each of the operating segment assets reported to the CODM includes the proportionate share of the Company in the same operating assets of these joint ventures. The investment properties amount reported to the CODM includes (i) the investment property balance as per the statement of financial position plus (ii) the Company’s share of the investment properties of these joint ventures. Under IFRS 11, the investment properties of these joint ventures are included together with all other of the joint ventures’ net assets in the single line item titled “Investments in associates and joint ventures” in the statement of financial position.

The following tables present a reconciliation between the total results of segment operations 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 accounted for under the equity method under IFRS and the non-elimination of the inter-segment transactions.

Fiscal Year ended June 30, 2015

In thousands of Ps.

Total Segment Information	Adjustment for share of profit / (loss) of joint	Common maintenance expenses and collective	Adjustment to income for elimination between	As per Statement of income
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		ventures	promotion fund	segment transactions	
Income from sales, rents and services	2,548,440	(27,532 )	-	(5,487 )	2,515,421
Income from common maintenance expenses and collective promotion fund	-	-	887,208	-	887,208
Costs	(627,903 )	14,752	(901,283 )	3,860	(1,510,574)
Gross Profit / (loss)	1,920,537	(12,780 )	(14,075 )	(1,627 )	1,892,055
Gain from disposal of investment properties	1,162,770	-	-	-	1,162,770
General and administrative expenses	(378,125 )	1,042	-	2,602	(374,481 )
Selling expenses	(195,866 )	2,075	-	321	(193,470 )
Other operating results, net	28,679	1,105	-	(1,296 )	28,488
Profit / (loss) from operations	2,537,995	(8,558 )	(14,075 )	-	2,515,362
Share of (loss) / profit of associates and joint ventures	(1,035,036)	12,175	-	-	(1,022,861)
Segment Profit / (loss) Before Financing and Taxation	1,502,959	3,617	(14,075 )	-	1,492,501

Fiscal Year ended June 30, 2014

In thousands of Ps.

	Total Segment Information	Adjustment for share of profit / (loss) of joint ventures	Common maintenance expenses and collective promotion fund	Adjustment to income for elimination between segment transactions	As per Statement of comprehensive income
Income from sales, rents and services	2,155,760	(40,636 )	-	(6,250 )	2,108,874
Income from common maintenance expenses and collective promotion fund	-	-	736,302	-	736,302
Costs	(638,654 )	23,183	(743,703 )	4,681	(1,354,493 )
Gross Profit / (loss)	1,517,106	(17,453 )	(7,401 )	(1,569 )	1,490,683
Gain from disposal of investment properties	235,507	-	-	-	235,507
General and administrative expenses	(300,066 )	804	-	2,334	(296,928 )
Selling expenses	(150,109 )	3,507	-	366	(146,236 )
Other operating results, net	(47,922 )	3,183	-	(1,131 )	(45,870 )
Profit / (loss) from operations	1,254,516	(9,959 )	(7,401 )	-	1,237,156
Share of (loss) / profit of associates and joint ventures	(440,139 )	26,368	-	-	(413,771 )
Segment Profit / (loss) Before Financing and Taxation	814,377	16,409	(7,401 )	-	823,385

Fiscal Year ended June 30, 2013

In thousands of Ps.

	Total Segment Information	Adjustment for share of profit / joint ventures	Common maintenance expenses and collective promotion fund	Adjustment to income for segment transactions	As per Statement of comprehensive income
Income from sales, rents and services	1,728,248	(131,459 )	-	(3,899 )	1,592,890
Income from common maintenance expenses and collective promotion fund	-	-	594,290	-	594,290
Costs	(591,610 )	101,112	(599,780 )	2,667	(1,087,611 )
Gross profit / (loss)	1,136,638	(30,347 )	(5,490 )	(1,232 )	1,099,569
Gain from disposal of investment properties	183,767	-	-	-	183,767
General and administrative expenses	(198,772 )	2,157	-	1,774	(194,841 )
Selling expenses	(117,230 )	10,993	-	112	(106,125 )
Other operating results, net	92,425	1,497	-	(654 )	93,268
Profit / (loss) from operations	1,096,828	(15,700 )	(5,490 )	-	1,075,638
Share of (loss) / profit of associates and joint ventures	(20,080 )	12,689	-	-	(7,391 )
Segment Profit / (loss) Before financing and Taxation	1,076,748	(3,011 )	(5,490 )	-	1,068,247

The following tables present a reconciliation between total segment assets as per segment information and total assets as per the statement of financial position.

	June 30, 2015	June 30, 2014	June 30, 2013
	In thousands of Ps.		
Total Assets per segment based on segment information	6,461,794	7,206,639	5,814,519
Minus:			
Proportionate share in assets per segment of joint ventures (2)	(96,911 )	(148,752 )	(186,513 )
Plus:			
Investment in joint ventures (1)	169,415	293,509	264,461
Other non-reportable assets	3,095,075	2,458,710	2,434,062
Total Consolidated Assets as per Statement of financial position	9,629,373	9,810,106	8,326,529

(1) Represents the proportionate equity value of joint ventures that were proportionately consolidated for information by segment purposes.

(2) of the following amounts related to the proportionate share of operating segment assets of the joint ventures, namely, Nuevo Puerto Santa Fe S.A., Quality Invest S.A., Baicom S.A., Cyrsa S.A. and Puerto Retiro S.A. are reported as part of total operating segment assets by segment:

June 30, 2015	June 30, 2014	June 30, 2013
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	Thousands of Ps.		
Investment properties	87,583	137,253	161,664
Property, plant and equipment	600	99	112
Trading properties	3,130	5,908	19,396
Goodwill	5,234	5,235	5,235
Inventories	364	257	106
Total proportionate share in assets per segment of joint ventures	96,911	148,752	186,513

## Business Segment Reporting

Below is an analysis of our segments for the fiscal years ended June 30, 2015, 2014 and 2013:

	Fiscal Year ended June 30, 2015						Total
	Thousands of Ps.						Urban
	Shopping	Offices	Sales and	Hotels	International	Financial	Properties
	Centers	and	developments			operations	and
		others				and others	Investment
Revenues (i)	1,778,310	332,728	15,085	396,297	25,873	147	2,548,440
Costs	(290,302 )	(33,431 )	(19,109 )	(277,885 )	(7,121 )	(55 )	(627,903 )
Gross Profit	1,488,008	299,297	(4,024 )	118,412	18,752	92	1,920,537
Gain from disposal of investment properties	-	-	1,162,770	-	-	-	1,162,770
General and administrative expenses	(136,151 )	(58,971 )	(49,690 )	(77,567 )	(55,746 )	-	(378,125 )
Selling expenses	(112,825 )	(21,130 )	(9,146 )	(52,386 )	-	(379 )	(195,866 )
Other operating results, net	(48,810 )	(117,610)	13,093	(461 )	184,886	(2,419 )	28,679
Profit / (loss) from operations	1,190,222	101,586	1,113,003	(12,002 )	147,892	(2,706 )	2,537,995
Share of profit / (loss) of associates and joint ventures	-	(2,570 )	918	1,254	(1,191,116 )	156,478	(1,035,036)
Segment Profit / (loss)	1,190,222	99,016	1,113,921	(10,748 )	(1,043,224 )	153,772	1,502,959
Investment properties	2,300,044	939,002	338,614	-	-	-	3,577,660
Property, plant and equipment	48,345	28,013	1,242	164,815	1,319	-	243,734
Trading properties	-	-	134,534	-	-	-	134,534
Goodwill	6,804	3,911	-	-	-	-	10,715
Right to receive future units under barter agreements	-	-	90,486	-	-	-	90,486
Inventories	15,711	-	497	6,926	-	-	23,134
Investments in associates and joint ventures	-	20,746	46,555	-	909,911	1,404,319	2,381,531
Operating assets (ii)	2,370,904	991,672	611,928	171,741	911,230	1,404,319	6,461,794

(i) From all of the Company's revenues, Ps. 2,522 million is originated in Argentina and Ps. 26 million in United States.

(ii) From all of the Company's assets included in the segment, Ps. 5,445 million worth of assets are located in Argentina and Ps. 1,017 million worth of assets are located in other countries, principally in Israel for Ps. 907 and Uruguay for Ps. 106 million, respectively.



Fiscal Year ended June 30, 2014  
Thousands of Ps.

	Shopping Centers	Offices and others	Sales and developments	Hotels	International	Financial operations and others	Total Urban Properties and Investment
Revenues (i)	1,383,008	271,159	85,531	331,562	83,926	574	2,155,760
Costs	(293,278 )	(42,015 )	(33,498 )	(215,980)	(53,510 )	(373 )	(638,654 )
Gross Profit	1,089,730	229,144	52,033	115,582	30,416	201	1,517,106
Gain from disposal of investment property	-	-	235,507	-	-	-	235,507
General and administrative expenses	(101,538 )	(41,945 )	(37,466 )	(59,585 )	(59,476 )	(56 )	(300,066 )
Selling expenses	(73,427 )	(20,751 )	(13,706 )	(42,335 )	-	110	(150,109 )
Other operating results, net	(46,568 )	(3,060 )	8,137	(2,680 )	(895 )	(2,856 )	(47,922 )
Profit / (loss) from operations	868,197	163,388	244,505	10,982	(29,955 )	(2,601 )	1,254,516
Share of profit / (loss) of associates and joint ventures	-	(899 )	6,368	789	(616,313 )	169,916	(440,139 )
Segment Profit / (loss)	868,197	162,489	250,873	11,771	(646,268 )	167,315	814,377
Investment properties	2,253,372	783,683	369,793	-	-	-	3,406,848
Property, plant and equipment	20,455	30,026	3,744	164,386	1,501	-	220,112
Trading properties	-	-	141,161	-	-	-	141,161
Goodwill	1,667	9,392	-	-	-	-	11,059
Right to receive future units under barter agreements	-	-	85,077	-	-	-	85,077
Assets classified as held for sale (iii)	-	-	-	-	1,357,866	-	1,357,866
Inventories	10,625	-	584	6,011	-	-	17,220
Investments in associates and joint ventures	-	23,208	38,289	22,129	628,658	1,255,012	1,967,296
Operating assets (ii)	2,286,119	846,309	638,648	192,526	1,988,025	1,255,012	7,206,639

(i) From all of the Company's revenues, Ps. 2,072 million is originated in Argentina and Ps. 84 million in United States.

(ii) From all of the Company's assets included in the segment, Ps. 5,108 million worth of assets are located in Argentina and Ps. 2,099 million worth of assets are located in other countries, principally in United States for Ps. 1,392, Israel for Ps. 595 and Uruguay for Ps. 112 million, respectively.

(iii) See Note 42 for details.





Fiscal Year ended June 30, 2013  
Thousands of Ps.

	Shopping Centers	Offices and others	Sales and developments	Hotels	International	Financial operations and others	Total Urban Properties and Investment
Revenues (i)	1,103,044	217,171	141,996	225,836	38,998	1,203	1,728,248
Costs	(241,057 )	(43,377 )	(106,399 )	(168,283 )	(31,587 )	(907 )	(591,610 )
Gross Profit	861,987	173,794	35,597	57,553	7,411	296	1,136,638
Gain from disposal of investment properties	-	-	183,767	-	-	-	183,767
General and administrative expenses	(67,596 )	(34,984 )	(32,901 )	(49,883 )	(13,158 )	(250 )	(198,772 )
Selling expenses	(58,908 )	(11,360 )	(16,455 )	(28,919 )	-	(1,588 )	(117,230 )
Other operating results, net	(45,020 )	(247 )	6,342	(369 )	135,082	(3,363 )	92,425
Profit / (loss) from operations	690,463	127,203	176,350	(21,618 )	129,335	(4,905 )	1,096,828
Share of profit / (loss) of associates and joint ventures	-	(2,514 )	2,329	83	(82,552 )	62,574	(20,080 )
Segment Profit / (loss)	690,463	124,689	178,679	(21,535 )	46,783	57,669	1,076,748
Investment properties	2,224,008	799,644	376,691	-	744,587	-	4,144,930
Property, plant and equipment	17,385	23,029	3,972	168,200	199	-	212,785
Trading properties	-	-	125,549	-	-	-	125,549
Goodwill	1,667	9,392	-	-	51,069	-	62,128
Right to receive future units under barter agreements	-	-	93,225	-	-	-	93,225
Inventories	10,002	-	463	5,962	-	-	16,427
Investments in associates and joint ventures	-	23,385	32,759	21,339	802	1,081,190	1,159,475
Total segment assets (ii)	2,253,062	855,450	632,659	195,501	796,657	1,081,190	5,814,519

(i) From all of the Company's revenues, Ps. 1,689 million is originated in Argentina and Ps. 39 million in United States.

(ii) From all of the Company's assets included in the segment, Ps. 4,937 million worth of assets are located in Argentina and Ps. 877 million worth of assets are located in other countries, principally in United States for Ps. 797 and Uruguay for Ps. 81 million, respectively.

Income/(loss) from interests in joint ventures:

As stated in Note 2.3(e) to the consolidated financial statements as of June 30, 2015, 2014 and 2013 and for the 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., Canteras Natal Crespo 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 consolidated financial statements as of June 30, 2015, 2014 and 2013 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, 2015 the Argentine Peso depreciated by 12% against the U.S. Dollar and other currencies though such depreciation has not been as significant as such occurred during the fiscal year ended June 30, 2014, when the devaluation of this currency was about 51%. These changes in the currency value as of each year end have an impact on the comparison of the figures stated in the financial statements, mainly resulting from the exposure of net assets and liabilities denominated in foreign currency to the exchange rate.

Besides, during the last quarter of this fiscal year, the Company has modified the presentation of certain information that is revised by the CODM to allocate resources and assess the return, for a better alignment with the current business vision and metrics used for such purposes. These changes affected the shopping centers, offices and international segments and included the elimination of revenues from common maintenance expenses and collective promotion fund from the revenues line, as well as the elimination of the equivalent amount recovered through common maintenance expenses from the costs line.

Shopping Centers:

During the years ended June 30, 2014 and 2013 we maintained the same portfolio of operating shopping centers. During fiscal year 2015 we inaugurated two new shopping centers: "Distrito Arcos," located in the neighborhood 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 were Ps. 22.9 million and Ps. 11.7 million respectively.

Offices and others:

In December 2014, there was a transfer of 83,789 sqm of rental buildings from us to IRSA Commercial Properties. This transaction, though at the consolidated level it did not have effects because it was a related party transaction, was considered a business Combination for the Company, and therefore, costs related to this transaction for Ps. 110.5 million were recognized as income during fiscal year 2015 in "Other operating results, net".

Additionally, 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, there were sales for 10,792 sqm of leasable surface area (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.

#### International:

The revenues and costs from the international segment were mainly affected by the only 3-month consolidation in the year 2015, compared to the 12-month consolidation in the year 2014, of the results of Rigby, and to a lesser extent, by the effect of devaluation described above.

#### Financial Operations and Others:

The operating result of the Financial Operations and Others segment primarily reflects the residual consumer financing activities of the Company, which have been decreasing progressively during fiscal years under discussion.

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, 2015 and 2014

#### Revenues

	Fiscal Year ended on June 30, 2015				
	In millions of Ps.				
	Income statement (i)	Interest in joint ventures	Common maintenance expenses and collective promotion fund	Inter-segment eliminations	Segment-reporting
Revenues					
Shopping Centers	2,570.9	13.1	(805.6 )	-	1,778.3
Offices and Others	397.3	9.2	(79.3 )	5.5	332.7
Sales and Developments	9.9	5.2	-	-	15.1
Hotels	396.3	-	-	-	396.3
International	28.1	-	(2.3 )	-	25.9
Financial Operations and Others	0.1	-	-	-	0.1
<b>Total revenues</b>	<b>3,402.6</b>	<b>27.5</b>	<b>(887.2 )</b>	<b>5.5</b>	<b>2,548.4</b>

(i) Includes revenues from sales, leases and services (Ps. 2,515.4 million) and revenues from common maintenance expenses and collective promotion funds (Ps. 887.2 million).

Fiscal Year ended on June 30, 2014

In millions of Ps.

	Income statement (i)	Interest in joint ventures	Common maintenance expenses and collective promotion fund	Inter-segment eliminations	Segment-reporting
Revenues					
Shopping Centers	2,032.0	9.3	(659.7 )	1.4	1,383.0
Offices and Others	327.6	8.5	(69.7 )	4.8	271.2
Sales and Developments	62.6	22.9	-	-	85.5
Hotels	331.6	-	-	-	331.6
International	90.8	-	(6.9 )	-	83.9
Financial Operations and Others	0.6	-	-	-	0.6
Total revenues	2,845.2	40.6	(736.3 )	6.3	2,155.8

(i) Includes revenues from sales, leases and services (Ps. 2,108.9 million) and revenues from common maintenance expenses and collective promotion funds (Ps. 736.3 million).

Revenues from sales, leases and services, pursuant to income statement, rose by 19.3%, up from Ps. 2,108.9 million during fiscal year 2014 to Ps. 2,515.4 million during fiscal year 2015.

In turn, revenues from common maintenance expenses and collective promotion fund increased by 20.5%, from Ps. 736.3 million during fiscal year 2014 (of which Ps. 659.7 million are allocated to the Shopping Centers segment) to Ps. 887.2 million during fiscal year 2015 (of which Ps. 805.6 million are allocated to the Shopping Centers segment).

Furthermore, revenues from interests in our joint ventures showed a 32.2% decrease, down from Ps. 40.6 million during fiscal year 2014 to Ps. 27.5 million during fiscal year 2015, primarily owing to lower revenues from sales related to the Horizons project, from the CYRSA S.A. joint venture. The stock available for sale consists of 8 parking spaces and 52 storage spaces.

Finally, inter-segment revenues decreased by 12.2%, from Ps. 6.3 million during fiscal year 2014 (of which Ps. 4.8 million are allocated to the Offices and Others segment) to Ps. 5.5 million during fiscal year 2015 (allocated to the Offices and Others segment).

Thus, according to business segment reporting, revenues grew by 18.2%, up from Ps. 2,155.8 million during fiscal year 2014 to Ps. 2,548.4 million during fiscal year 2015.

Shopping Centers. Revenues from the Shopping Centers segment rose by 28.6%, up from Ps. 1,383.0 million during fiscal year 2014 to Ps. 1,778.3 million during fiscal year 2015. This increase arose mainly from: (i) a Ps. 317.7 million increase in the revenues from base and contingent rent stemming from a 33.3% increase in our tenants' total sales, up from Ps. 16,132.8 million during fiscal year 2014 to Ps. 21,508.7 million during fiscal year 2015, (ii) a Ps. 30.0 million increase in revenues from admission fees, (iii) a Ps. 30.6 million increase in revenues from parking fees, and (iv) a Ps. 17.0 million increase in revenues from letting fees property, management fees and others.

Offices and Others. Revenues from the Offices and Others segment rose by 22.7%, up from Ps. 271.2 million during fiscal year 2014 to Ps. 332.7 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 on account of no reductions in their leasable area, rose by 30.6%, up from Ps. 214.0 million during fiscal year 2014 to Ps. 279.6 million during fiscal year 2015, mainly due to the devaluation and an improvement in occupancy, whilst rental revenues associated to properties whose leasable area had sustained a reduction, dropped by 45%, from Ps. 45.5 million during fiscal year 2014 to Ps. 25.0 million during fiscal year 2015. At the end of fiscal 2015, the average occupancy rate for the portfolio of premium offices had been 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 84.3%, from Ps. 62.6 million during fiscal year 2014 to Ps. 9.9 million during fiscal year 2015. This reduction is mainly due to lower revenues from the sales of units at Condominios I and II (Ps. 45.3 million) and El Encuentro (Ps. 7.5 million) projects. Revenues from interests in our joint ventures (Horizons), in turn, dropped by 77.2%, recording a decrease by Ps. 17.7 million. Therefore, this segment's total revenues dropped by 82.4%, from Ps. 85.5 million during fiscal year 2014 to Ps. 15.1 million during fiscal year 2015.

**Hotels.** Revenues from our Hotels segment rose by 19.5%, up from Ps. 331.6 million during fiscal year 2014 to Ps. 396.3 million during fiscal year 2015, primarily 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, which went from 67.2% during fiscal year 2014 to 65.7% during fiscal year 2015 (primarily in our Llao Llao hotel).

**International.** Revenues from the International segment dropped by 69.2%, from Ps. 83.9 million in the year 2014 to Ps. 25.9 million in the year 2015, primarily owing 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, which was sold in September 2014.

**Financial Operations and Others.** Revenues from the Financial Operations and Others segment fell by 74.4%, from Ps. 0.6 million during fiscal year 2014 to Ps. 0.1 million during fiscal year 2015 as a consequence of lower revenues from the Company's residual consumer financing activities.

## Costs

Fiscal Year ended on June 30, 2015

In millions of Ps.

Costs	Income statement	Interest in joint ventures	Common maintenance expenses and collective promotion funds	Inter-segment eliminations	Segment-reporting
Shopping Centers	(1,102.2)	(4.0 )	819.7	(3.9 )	(290.3 )
Offices and Others	(107.5 )	(5.2 )	79.3	-	(33.4 )
Sales and Developments	(13.6 )	(5.5 )	-	-	(19.1 )
Hotels	(277.9 )	-	-	-	(277.9 )
International	(9.4 )	-	2.3	-	(7.1 )
Financial Operations and Others	(0.1 )	-	-	-	(0.1 )
<b>Total Costs</b>	<b>(1,510.6)</b>	<b>(14.8 )</b>	<b>901.3</b>	<b>(3.9 )</b>	<b>(627.9 )</b>

Fiscal Year ended on June 30, 2014

In millions of Ps.

Costs	Income statement	Interest in joint ventures	Common maintenance expenses and collective promotion funds	Inter-segment eliminations	Segment-reporting
Shopping Centers	(952.9 )	(2.8 )	667.1	(4.7 )	(293.3 )
Offices and Others	(107.3 )	(4.4 )	69.7	-	(42.0 )
Sales and Developments	(17.5 )	(16.0 )	-	-	(33.5 )
Hotels	(216.0 )	-	-	-	(216.0 )
International	(60.4 )	-	6.9	-	(53.5 )
Financial Operations and Others	(0.4 )	-	-	-	(0.4 )
<b>Total Costs</b>	<b>(1,354.5)</b>	<b>(23.2 )</b>	<b>743.7</b>	<b>(4.7 )</b>	<b>(638.7 )</b>

Total consolidated costs, pursuant to income statement, increased by 11.5%, up from Ps. 1,354.5 million during fiscal year 2014 to Ps. 1,510.6 million during fiscal year 2015. Total consolidated costs as a percentage of total consolidated revenues, shrank from 47.6% during fiscal year 2014 to 44.4% during fiscal year 2015.

In turn, costs from common maintenance expenses and collective promotion funds increased by 21.2%, from Ps. 743.7 million during fiscal year 2014 to Ps. 901.3 million during fiscal year 2015, due primarily to expenses and collective promotion funds originated by shopping centers, which increased by 22.9%, up from Ps. 667.1 million during fiscal year 2014 to Ps. 819.7 million during fiscal year 2015, as a result of: (i) a Ps. 59.8 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. 27.9 million increase in advertising expenses, (iii) a Ps. 30.1 million increase in

salaries, social security charges and other personnel expenses, (iv) a Ps. 20.8 million increase in taxes, rates and contributions, and other expenses, and (v) a Ps. 14.0 million increase for other reasons (mainly originated in traveling, transportation and stationery expenses).

By the same token, costs from our joint ventures recorded a net decrease of 36.4%, from Ps. 23.2 million during fiscal year 2014 to Ps. 14.8 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 17.5%, from Ps. 4.7 million during fiscal year 2014 to Ps. 3.9 million during fiscal year 2015, mainly due to a change in the distribution of costs of our shopping centers.

Therefore, according to business segment reporting, costs dropped by 1.7%, from Ps. 638.7 million during fiscal year 2014 to Ps. 627.9 million during fiscal year 2015. Total costs as a percentage of total revenues, according to 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 collective promotion fund and inter-segment eliminations and interests in joint ventures) slightly decreased by 1.0%, from Ps. 293.3 million during fiscal year 2014 to Ps. 290.3 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 collective promotion fund in our Shopping Centers for Ps. 35.9 million and (ii) decreased depreciation and amortization costs for Ps. 4.2 million, partially offset by higher costs generated by: (iii) a Ps. 12.9 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. 10.0 million increase in salaries, social security charges and other personnel expenses, (v) a Ps. 8.7 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. 5.6 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 the fiscal year ended June 30, 2015.

**Offices and Others.** Costs in the Offices and Others segment dropped by 20.4%, from Ps. 42.0 million during fiscal year 2014 to Ps. 33.4 million during fiscal year 2015. This variance is affected by the partial sales of investment properties intended for lease during fiscal year 2015. Costs associated to non-comparable properties dropped by 44.3%, from Ps. 5.5 million to Ps. 3.0 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. 36.6 million to Ps. 30.4 million, primarily owing to decreased depreciation and amortization costs. This decrease is associated with the sale of investment properties. Total costs in the Offices and Others segment, as a percentage of this segment's revenues, fell from 20.5% during fiscal year 2014 to 10.0% during fiscal year 2015.

**Sales and Developments.** This segment's costs often exhibit significant variances 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 to our Sales and Developments segment dropped by 22.4%, from Ps. 17.5 million during fiscal year 2014 to Ps. 13.6 million during fiscal year 2015. This decrease is primarily attributable to lower costs from the sale of units in Condominios I and II (Ps. 6.8 million), partially offset by the increased costs associated to land reserves and properties for sale (Ps. 4.7 million). Besides, costs from our joint ventures (Horizons) dropped by 62.1%, recording a decrease of Ps. 9.1 million. Therefore, total costs from this segment dropped by 43%, from Ps. 33.5 million during fiscal year 2014 to Ps. 19.1 million during fiscal year 2015. Costs in the Sales and Developments segment, as a percentage of this segment's revenues, increased from 39.2% during fiscal year 2014 to 126.5% during fiscal year 2015.

Hotels. Costs in the Hotels segment rose by 28.7%, from Ps. 216.0 million during fiscal year 2014 to Ps. 277.9 million during fiscal year 2015, mainly due to: (i) a Ps. 41.1 million increase in salaries, social security charges and other personnel expenses; (ii) a Ps. 11.1 million increase in the costs of food, beverages and other hotel-related expenses; and (iii) increased charges, amounting to Ps. 7.7 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 70.1% during fiscal year 2015.

International. Costs in the International segment dropped by 86.7%, from Ps. 53.5 million during fiscal year 2014 to Ps. 7.1 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, 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 63.8% during fiscal year 2014 to 27.5% during fiscal year 2015.

Financial Operations and Others. Costs from the Financial Operations and Others segment decreased by 85.3%, from Ps. 0.4 million during fiscal year 2014 to Ps. 0.1 million during fiscal year 2015, as a result of reduced costs from the Company's residual consumer financing activities. Costs from the Financial Operations and Others segment, as a percentage of this segment's revenues, rose from 65.0% during fiscal year 2014 to 37.4% during fiscal year 2015.

#### Gross profit

##### Fiscal Year ended on June 30, 2015

In millions of Ps.

	Income statement	Interest in joint ventures	Common maintenance expenses and collective promotion fund	Inter-segment eliminations	Segment-reporting
Gross profit					
Shopping Centers	1,468.7	9.1	14.1	(3.9 )	1,488.0
Offices and Others	289.8	4.0	-	5.5	299.3
Sales and Developments	(3.7 )	(0.3 )	-	-	(4.0 )
Hotels	118.4	-	-	-	118.4
International	18.8	-	-	-	18.8
Financial Operations and Others	0.1	-	-	-	0.1
Total Gross Profit	1,892.1	12.8	14.1	1.6	1,920.5

##### Fiscal Year ended on June 30, 2014

In millions of Ps.

	Income statement	Interest in joint ventures	Common maintenance expenses and collective promotion fund	Inter-segment eliminations	Segment-reporting
Gross profit					
Shopping Centers	1,079.1	6.5	7.4	(3.3 )	1,089.7



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Offices and Others	220.3	4.1	-	4.8	229.1
Sales and Developments	45.1	6.9	-	-	52.0
Hotels	115.6	-	-	-	115.6
International	30.4	-	-	-	30.4
Financial Operations and Others	0.2	-	-	-	0.2
Total Gross Profit	1,490.7	17.5	7.4	1.6	1,517.1

As a consequence of the events discussed above, total consolidated gross profit, pursuant to income statement, rose by 26.9%, up from Ps. 1,490.7 million during fiscal year 2014 to Ps. 1,892.1 million during fiscal year 2015. Total consolidated gross profit, as a percentage of revenues from sales, leases and services, rose from 70.4% during fiscal year 2014 to 75.4% during fiscal year 2015.

Besides, gross profit due to the elimination of common maintenance expenses and collective promotion fund increased by 90.2%, from Ps. 7.4 million during fiscal year 2014 (which are allocated to the Shopping Centers segment) to Ps. 14.1 million during fiscal year 2015 (which are allocated to the Shopping Centers segment).

In addition, gross profit from our joint ventures dropped by 26.8%, from Ps. 17.5 million during fiscal year 2014 to Ps. 12.8 million during fiscal year 2015.

Therefore, according to business segment reporting, gross profit rose by 26.6%, up from Ps. 1,517.1 million during fiscal year 2014 to Ps. 1,920.5 million during fiscal year 2015. Furthermore, gross profit, as a percentage of revenues, according to 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 36.6%, up from Ps. 1,089.7 million during fiscal year 2014 to Ps. 1,488.0 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 30.6%, from Ps. 229.1 million during fiscal year 2014 to Ps. 299.3 million during fiscal year 2015. Gross profit for the Offices and Others segment as a percentage of this segment's revenues rose from 84.5% during fiscal year 2014 to 90.0% during fiscal year 2015.

Sales and Developments. Gross profit at the Sales and Developments segment decreased by 107.7%, from a profit of Ps. 52.0 million during fiscal year 2014 to a loss of Ps. 4.0 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 60.8% during fiscal year 2014 to a loss of 26.7% during fiscal year 2015.

Hotels. Gross profit at the Hotels segment rose by 2.4%, up from Ps. 115.6 million during fiscal year 2014 to Ps. 118.4 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 29.9% during fiscal year 2015.

International. Gross profit at the International segment dropped by 38.3%, from Ps. 30.4 million during fiscal year 2014 to Ps. 18.8 million during fiscal year 2015. Gross profit at the International segment, as a percentage of this segment's revenues, rose from 36.2% during fiscal year 2014 to 72.5% during fiscal year 2015, mainly because no amortizations were recorded during that period.

Financial Operations and Others. Gross profit at the Financial Operations and Others segment shrank by 54.2%, from Ps. 0.2 million during fiscal year 2014 to Ps. 0.1 million during fiscal year 2015. Gross profit at the Financial Operations and Others segment, as a percentage of this segment's revenues, rose from 35.0% during fiscal year 2014 to 62.6% during fiscal year 2015.

#### Income from sale of investment properties

Income from sale of investment properties from our Sales and Developments segment rose by 393.7%, up from Ps. 235.5 million during fiscal year 2014 to Ps. 1,162.8 million during fiscal year 2015, due primarily to the sales of functional units at: Intercontinental Plaza (Ps. 338.4 million), Madison Ave. office building (Ps. 296.5 million), higher gain from disposal of Bouchard 551 (Ps. 308.4 million) and Maipú 1300 (Ps. 25.3 million), partially offset by a reduced gain from disposal of Av. de Mayo 595 (Ps. 19.2 million), Constitución 1159 (Ps. 13.4 million) and Costeros Dique IV (Ps. 10.6 million), among others.

#### General and administrative expenses

Fiscal Year ended on June 30, 2015

In millions of Ps.

	Income statement	Interest in joint ventures	Common maintenance expenses and collective promotion fund	Inter-segment eliminations	Segment-reporting
General & administrative expenses	(135.5)	(0.2)	-	(0.4)	(136.1)
Shopping Centers	(135.5)	(0.2)	-	(0.4)	(136.1)
Offices and Others	(58.2)	(0.3)	-	(0.5)	(59.0)
Sales and Developments	(48.8)	(0.5)	-	(0.4)	(49.7)
Hotels	(76.3)	-	-	(1.3)	(77.6)
International	(55.7)	-	-	-	(55.7)
Financial Operations and Others	-	-	-	-	-
Total expenses	(374.5)	(1.0)	-	(2.6)	(378.1)

Fiscal Year ended on June 30, 2014

In millions of Ps.

General & administrative expenses	Income statement	Interest in joint ventures	Common maintenance expenses	Inter-segment eliminations	Segment-reporting
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			and collective promotion fund		
Shopping Centers	(100.7 )	(0.1 )	-	(0.7 )	(101.5 )
Offices and Others	(41.2 )	(0.1 )	-	(0.6 )	(41.9 )
Sales and Developments	(37.0 )	(0.5 )	-	-	(37.5 )
Hotels	(58.6 )	-	-	(1.0 )	(59.6 )
International	(59.5 )	-	-	-	(59.5 )
Financial Operations and Others	(0.1 )	-	-	-	(0.1 )
Total expenses	(297.1 )	(0.8 )	-	(2.3 )	(300.1 )

Total administrative expenses, pursuant to income statement, rose by 26.1%, up from Ps. 296.9 million during fiscal year 2014 to Ps. 374.5 million during fiscal year 2015. Total administrative expenses as a percentage of revenues from sales, leases and services slightly rose from 13.9% during fiscal year 2014 to 14.8% during fiscal year 2015.

Besides, administrative expenses from our joint ventures increased by 29.6%, from Ps. 0.8 million during fiscal year 2014 to Ps. 1.0 million during fiscal year 2015.

Thus, according to business segment reporting, and considering both our joint ventures and the inter-segment eliminations, administrative expenses grew by 26.0%, up from Ps. 300.1 million during fiscal year 2014 to Ps. 378.1 million during fiscal year 2015. Administrative expenses as a percentage of revenues, according to business segment reporting, went up 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 34.1%, up from Ps. 101.5 million during fiscal year 2014 to Ps. 136.2 million during fiscal year 2015, mainly as a result of: (i) a Ps. 25.7 million increase in the charge associated to Directors' fees; (ii) a Ps. 3.3 million increase in fees and payment for services, (iii) a Ps. 1.9 million increase in amortizations and depreciations, and (iv) a Ps. 3.8 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 this segment's revenues, slightly rose from 7.3% during fiscal year 2014 to 7.7% during fiscal year 2015.

Offices and Others. General & administrative expenses in our Offices and Others segment increased by 40.6%, up from Ps. 41.9 million during fiscal year 2014 to Ps. 59.0 million during fiscal year 2015, primarily due to: (i) a Ps. 5.3 million increase in fees and payments for services; (ii) a Ps. 5.2 million increase in salaries, social security charges and other personnel expenses, (iii) a Ps. 2.4 million increase in the charge associated to Directors' fees; (iv) a Ps. 2.0 million increase in traveling, transportation and stationery expenses, and (v) a Ps. 1.5 million increase in bank expenses. The segment's general & administrative expenses, as a percentage of this segment's revenues, rose from 15.5% during fiscal year 2014 to 17.7% during fiscal year 2015.

Sales and Developments. General & administrative expenses associated to our Sales and Developments segment rose by 32.6%, up from Ps. 37.5 million during fiscal year 2014 to Ps. 49.7 million during fiscal year 2015, primarily owing to: (i) a Ps. 4.4 million increase in fees and payments for services, (ii) a Ps. 2.0 million increase in salaries, social security charges and other personnel expenses, (iii) a Ps. 2.0 million increase in the charge associated to Directors' fees, (iv) a Ps. 1.7 million increase in traveling, transportation and stationery expenses, and (v) a Ps. 1.3 million increase in bank expenses. The General & administrative expenses associated to the Sales and Developments segment as a percentage of this segment's revenues rose from 43.8% during fiscal year 2014 to 329.4% during fiscal year 2015. Considering the gain from the disposal of investment properties, such percentages dropped by 9.82% during fiscal year 2014 to 2.0% during fiscal year 2015.



Hotels. General & administrative expenses associated to our Hotels segment rose by 30.2%, from Ps. 59.6 million during fiscal year 2014 to Ps. 77.6 million during fiscal year 2015, mainly as a result of: (i) a Ps. 9.5 million increase in salaries, social security charges and other personnel expenses; (ii) a Ps. 3.3 million increase in the charge of maintenance and repairs, (iii) a Ps. 2.0 million increase in fees for services and a Ps. 1.5 million increase in the charge of food, beverages and other hotel-related expenses, among others. General & administrative expenses associated to the Hotels segment as a percentage of this segment's revenues rose from 18.0% during fiscal year ended 2014 to 19.6% during fiscal year 2015.

International. General & administrative expenses associated to our International segment dropped by 6.3%, from Ps. 59.5 million during fiscal year 2014 to Ps. 55.7 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, owner of the Madison 183 building intended for lease, which was sold in September 2014 and lower expenses incurred in connection with our investment in IDBD. General & administrative expenses associated to the International segment as a percentage of this segment's revenues rose from 70.9% during fiscal year 2014 to 215.1% during fiscal year 2015.

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.

#### Selling expenses

Fiscal Year ended on June 30, 2015  
In millions of Ps.

	Income statement	Interest in joint ventures	Common maintenance expenses and collective promotion fund	Inter-segment eliminations	Segment-reporting
Selling expenses	(111.9)	(0.8)	-	(0.1)	(112.8)
Shopping Centers	(111.9)	(0.8)	-	(0.1)	(112.8)
Offices and Others	(20.6)	(0.5)	-	-	(21.1)
Sales and Developments	(8.4)	(0.8)	-	-	(9.2)
Hotels	(52.2)	-	-	(0.2)	(52.4)
International	-	-	-	-	-
Financial Operations and Others	(0.4)	-	-	-	(0.4)
Total expenses	(193.5)	(2.1)	-	(0.3)	(195.9)

Fiscal Year ended on June 30, 2014  
In millions of Ps.

	Income statement	Interest in joint ventures	Common maintenance expenses and collective promotion fund	Inter-segment eliminations	Segment-reporting
Selling expenses	(72.5)	(0.7)	-	(0.2)	(73.4)
Shopping Centers	(72.5)	(0.7)	-	(0.2)	(73.4)

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Offices and Others	(20.3 )	(0.4 )	-	-	(20.8 )
Sales and Developments	(11.3 )	(2.4 )	-	-	(13.7 )
Hotels	(42.2 )	-	-	(0.2 )	(42.3 )
International	-	-	-	-	-
Financial Operations and Others	0.1	-	-	-	0.1
Total expenses	(146.2)	(3.5 )	-	(0.4 )	(150.1 )

Total consolidated selling expenses, pursuant to income statement, rose by 32.3%, up from Ps. 146.2 million during fiscal year 2014 to Ps. 193.5 million during fiscal year 2015. Total consolidated selling expenses as a percentage of revenues from sales, leases and services, slightly rose from 7.0% during fiscal year 2014 to 7.7% during fiscal year 2015.

In turn, selling expenses of our joint ventures shrank by 40.8%, down from Ps. 3.5 million (out of this figure, Ps. 2.4 million are allocated to the Sales and Developments segment) during fiscal year 2014 to Ps. 2.1 million (out of this figure, Ps. 0.8 million are allocated to the Sales and Developments segment) during fiscal year 2015. This decrease is primarily 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 30.5%, up from Ps. 150.1 million during fiscal year 2014 to Ps. 195.9 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 rose by 53.7%, up from Ps. 73.4 million during fiscal year 2014 to Ps. 112.8 million during fiscal year 2015 primarily as a result of: (i) a Ps. 18.1 million increase in the charge associated to taxes, rates and contributions; mainly due to a higher charged associated to turnover tax; (ii) a Ps. 7.7 million increase in advertising expenses; (iii) a Ps. 5.1 million increase in loan loss charges, and (iv) a Ps. 6.1 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 2104 to 6.3% during fiscal year 2015.

Offices and Others. Selling expenses associated to our Offices and Others segment rose by 1.8%, up from Ps. 20.8 million during fiscal year 2014 to Ps. 21.1 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 to our Offices and Others segment, as a percentage of this segment's revenues dropped from 7.7% during fiscal year 2014 to 6.4% during fiscal year 2015.

Sales and Developments. Selling expenses for the Sales and Developments segment decreased by 33.3%, down from Ps. 13.7 million during fiscal year 2014 to Ps. 9.1 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. 3.4 million and commissions for sales for Ps. 1.1 million. The selling expenses associated to our Sales and Developments segment as a percentage of this segment's revenues rose from 16.0% during fiscal year 2014 to 60.6% during fiscal year 2015.

Hotels. The selling expenses associated to our Hotels segment rose by 23.7%, from Ps. 42.3 million during fiscal year 2014 to Ps. 52.4 million during fiscal year 2015, mainly due to: (i) a Ps. 3.1 million increase in advertising expenses and other selling expenses, (ii) a Ps. 2.6 million increase in taxes, rates and contributions; and (iii) a Ps. 2.6 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 in the Financial Operations and Others segment went from income for Ps. 0.1 million during fiscal year 2014 to a loss for Ps. 0.4 million during fiscal year 2015, mainly attributable to increased loan loss charges related to residual consumer financing activities.

#### Other operating results, net

Fiscal Year ended on June 30, 2015  
In millions of Ps.

	Income statement	Interest in joint ventures	Common maintenance expenses and collective promotion fund	Inter-segment eliminations	Segment-reporting
Other Operating results, net					
Shopping Centers	(47.6 )	(1.2 )	-	-	(48.8 )
Offices and Others	(118.4 )	0.1	-	0.7	(117.6 )
Sales and Developments	12.5	-	-	0.6	13.1
Hotels	(0.5 )	-	-	-	(0.5 )
International	184.9	-	-	-	184.9
Financial Operations and Others	(2.4 )	-	-	-	(2.4 )
Total results	28.5	(1.1 )	-	1.3	28.6

Fiscal Year ended on June 30, 2014  
In millions of Ps.

	Income statement	Interest in joint ventures	Common maintenance expenses and collective promotion fund	Inter-segment eliminations	Segment-reporting
Other Operating results, net					
Shopping Centers	(46.0 )	(0.7 )	-	0.1	(46.6 )
Offices and Others	(1.8 )	(2.3 )	-	1.0	(3.1 )
Sales and Developments	8.3	(0.2 )	-	-	8.1
Hotels	(2.7 )	-	-	-	(2.7 )
International	(0.9 )	-	-	-	(0.9 )

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Financial Operations and Others	(2.9 )	-	-	-	(2.9 )
Total results	(46.0)	(3.2 )	-	1.1	(47.9 )

Other operating results, net, pursuant to income statement, went from Ps. 45.9 million in net loss during fiscal year 2014 to Ps. 28.3 million in net income during fiscal year 2015, mainly due to income from the partial realization of the conversion difference owing to the partial settlement of Rigby 193 LLC (Ps. 188.3 million), partially offset by expenses related to the transfer of assets from IRSA to IRSA Commercial Properties (Ps. 110.5 million). Total consolidated Other operating results, net, as a percentage of revenues from sales, leases and services, went from 2.2% during fiscal year 2014 to 1.1% during the fiscal year 2015.

The Other operating results, net from our joint ventures dropped from a Ps. 3.2 million loss during fiscal year 2014 (Ps. 2.3 million were allocated to the Offices and Others segment) to a Ps. 1.1 million loss during fiscal year 2015 (Ps. 1.2 million were allocated to the Shopping Centers segment).

According to business segment reporting, Other operating results, net went from Ps. 47.9 million in net loss during fiscal year 2014 to Ps. 28.6 million in net income during fiscal year 2015.

Shopping Centers. Other operating losses, net for the Shopping Centers segment rose by 4.7%, up from Ps. 46.6 million during fiscal year 2014 to Ps. 48.8 million during fiscal year 2015, mainly as a consequence of a Ps. 2.7 million increase in donations. Other operating losses, net, as a percentage of revenues in the Shopping Centers segment, shrank from 3.4% during fiscal year 2014 to 2.7% during fiscal year 2015.

Offices and Others. Other operating losses, net associated with our Offices and Others segment rose by Ps. 114.6 million, from Ps. 3.1 million during fiscal year 2014 to Ps. 117.6 million during fiscal year 2015, mainly due to the expenses related to the transfer of assets from IRSA to IRSA Commercial Properties for Ps. 110.5 million. Other operating losses, net associated with our Offices and Others segment as a percentage of this segment's revenues rose from 1.1% during fiscal year 2014 to 35.3% during fiscal year 2015.

Sales and Developments. Other operating income, net in connection with our Sales and Developments segment rose by 60.9%, from Ps. 8.1 million during fiscal year 2014 to Ps. 13.1 million during fiscal year 2015, mainly due to: (i) Ps. 16.0 million in income during fiscal year 2015 owing to the sale of our share interest in Bitania and (ii) a decrease in provisions for lawsuits and other contingencies for Ps. 2.1 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 that will accommodate a hotel that took place in fiscal year 2014.

Hotels. Other operating losses, net associated to the Hotels segment dropped by Ps. 2.2 million, down from Ps. 2.7 million during fiscal year 2014 to Ps. 0.5 million during fiscal year 2015, primarily owing to an increase in provisions for lawsuits and other contingencies. Other operating losses, net associated to the Hotels segment, as a percentage of this segment's revenues dropped from 0.8% during fiscal year 2014 to 0.1% during fiscal year 2015.

International. Other operating results, net in this segment went from Ps. 0.9 million in net loss during fiscal year 2014 to Ps. 184.9 million in net income during fiscal year 2015, primarily due 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. The Other operating losses, net associated to our Financial Operations and Others segment shrank from Ps. 2.9 million during fiscal year 2014 to Ps. 2.4 million during fiscal year 2015, mainly due to the fact that Banco Hipotecario has deducted a lower amount as tax on dividends that it distributed to our subsidiaries Ritelco and Tyrus during fiscal year 2015.

## Operating income/(loss)

Fiscal Year ended on June 30, 2015  
In millions of Ps.

	Income statement	Interest in joint ventures	Common maintenance expenses and collective promotion fund	Inter-segment eliminations	Segment-reporting
Operating income/(loss)					
Shopping Centers	1,173.6	6.9	14.1	(4.4 )	1,190.2
Offices and Others	92.6	3.3	-	5.7	101.6
Sales and Developments	1,114.4	(1.6 )	-	0.2	1,113.0
Hotels	(10.5 )	-	-	(1.5 )	(12.0 )
International	147.9	-	-	-	147.9
Financial Operations and Others	(2.7 )	-	-	-	(2.7 )
Total Operating income/(loss)	2,515.3	8.6	14.1	-	2,538.0

Fiscal Year ended on June 30, 2014  
In millions of Ps.

	Income statement	Interest in joint ventures	Common maintenance expenses and collective promotion fund	Inter-segment eliminations	Segment-reporting
Operating income/(loss)					
Shopping Centers	859.9	5.0	7.4	(4.1 )	868.2
Offices and Others	157.0	1.2	-	5.2	163.4
Sales and Developments	240.7	3.8	-	-	244.5
Hotels	12.1	-	-	(1.1 )	11.0
International	(30.0 )	-	-	-	(30.0 )
Financial Operations and Others	(2.6 )	-	-	-	(2.6 )
Total Operating income/(loss)	1,237.0	10.0	7.4	-	1,254.5

As a consequence of the events discussed above, total consolidated operating income, pursuant to income statement, grew by 103.3%, from Ps. 1,237.0 million during fiscal year 2014 to Ps. 2,515.3 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 almost 100.0% during fiscal year 2015.

Operating income of our joint ventures decreased by 14.1%, down from Ps. 10.0 million during fiscal year 2014 to Ps. 8.6 million during fiscal year 2015, mainly due to reduced operating income from Cyrsa S.A. partially offset by

increased income from Nuevo Puerto Santa Fe S.A., among others.

Thus, according to business segment reporting, operating income rose by 102.3%, up from Ps. 1,254.5 million during fiscal year 2014 to Ps. 2,538.0 million during fiscal year 2015. Operating income as a percentage of revenues according to 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 grew by 37.1%, from Ps. 868.2 million in income during fiscal year 2014 to Ps. 1,190.2 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 dropped by 37.8%, down from Ps. 163.4 million in income during fiscal year 2014 to Ps. 101.6 million in income during fiscal year 2015. Operating income in our Offices and Others segment measured as percentage of this segment's revenues dropped from 60.3% during fiscal year 2014 to 30.5% during fiscal year 2015.

Sales and Developments. Operating income in our Sales and Developments segment rose by 355.2%, up from income for Ps. 244.5 million during fiscal year 2014 to income for Ps. 1,113.0 million during fiscal year 2015. Operating income in our Sales and Developments segment as a percentage of this segment's revenues, considering the gain from disposal of investment properties, rose from 64.1% during fiscal year 2014 to 44.0% during fiscal year 2015.

Hotels. Operating income/(loss) in the Hotels segment showed a significant fall, down from Ps. 11.0 million in income during fiscal year 2014 to Ps. 12.0 million in loss 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. 30.0 million in loss during fiscal year 2014 to Ps. 147.9 million in income during fiscal year 2015.

Financial Operations and Others. Operating income for our Financial Operations and Others segment remained between a Ps. 2.6 and a Ps. 2.7 million loss during both fiscal years.

## Share of profit / (loss) of Associates and joint ventures

Fiscal Year ended on June 30, 2015

In millions of Ps.

Share of profit / (loss) of associates and joint ventures	Income statement	Interest in joint ventures	Common maintenance expenses and collective promotion fund	Inter-segment eliminations	Segment-reporting
Shopping Centers	4.6	(4.6 )	-	-	-
Offices and Others	(0.5 )	(2.1 )	-	-	(2.6 )
Sales and Developments	6.5	(5.6 )	-	-	0.9
Hotels	1.3	-	-	-	1.3
International	(1,191.1)	-	-	-	(1,191.1 )
Financial Operations and Others	156.5	-	-	-	156.5
Total share of profit / (loss)	(1,022.7)	(12.3 )	-	-	(1,035.4 )

Fiscal Year ended on June 30, 2014

In millions of Ps.

Share of profit / (loss) of associates and joint ventures	Income statement	Interest in joint ventures	Common maintenance expenses and collective promotion fund	Inter-segment eliminations	Segment-reporting
Shopping Centers	5.1	(5.1 )	-	-	-
Offices and Others	0.1	(1.0 )	-	-	(0.9 )
Sales and Developments	26.7	(20.3 )	-	-	6.4
Hotels	0.8	-	-	-	0.8
International	(616.3)	-	-	-	(616.3 )
Financial Operations and Others	169.9	-	-	-	169.9
Total share of profit / (loss)	(413.8)	(26.4 )	-	-	(440.1 )

The share of loss of associates and joint ventures, pursuant to income statement, grew by 147.2%, up from Ps. 413.8 million during fiscal year 2014 to Ps. 1,022.9 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.

In addition, 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. 26.4 million during fiscal year 2014 to Ps. 12.2 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 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 Ps. 0.9 million in loss during fiscal year 2014 to Ps. 2.6 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, dropped by 85.9%, from Ps. 6.4 million during fiscal year 2014 to Ps. 0.9 million during fiscal year 2015, as a result of reduced net profit from such associate.

Hotels. Though it represents only 6 months during fiscal year 2015 as compared to 12 months during fiscal year 2014, the share of profit / (loss) of our associate Bitania S.A. increased by 62.5%, up from Ps. 0.8 million during fiscal year 2014 to Ps. 1.3 million during fiscal year 2015.

International. The share of loss of our associates in this segment, raised by 93.3%, from Ps. 616.3 million in loss during fiscal year 2014 to Ps. 1,191.1 million in loss during fiscal year 2015, mainly due to lower results from our investment in IDBD for Ps. 104.8 million primarily due to a recovery in the market value this company's shares, partially offset by higher losses in Pesos related to New Lipstick for Ps. 25.4 million, mainly due to the variation of the exchange rate used in the conversion, and Condor for Ps. 65.7 million, primarily owing 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 dropped by 7.9%, from Ps. 169.9 million during fiscal year 2014 to Ps. 156.5 million during fiscal year 2015, mainly due to lower profits from our investment in Banco Hipotecario for Ps. 41.2 million and Banco de Crédito y Securitización for Ps. 1.5 million, partially offset by higher profits related to our investment in Tarshop for Ps. 8.0 million and Avenida for Ps. 21.3 million.

#### Financial results, net

The net financial loss dropped by 45.7 %, from Ps. 1,719.3 million during fiscal year 2014 to Ps. 934.2 million during fiscal year 2015, mainly as a result of: (i) lower foreign exchange losses that amounted to Ps. 795.4 million and (ii) reduced income from the valuation at fair value of derivate financial instruments for Ps. 300.5 million, mainly due to Ps. 298.2 million associated to IDBD-related instruments, partially offset by (iii) lower income from the valuation of financial assets at fair value for Ps. 163.4 million, primarily due to a financial loss owing to the valuation public and private securities, shares and common funds for Ps. 254.8 million, partially offset by higher results generated by the valuation of shares in Avenida for Ps. 72.2 million and preferred shares in Condor Hospitality Trust Inc. for Ps. 65.6 million and (iv) an increased charge for interest paid for loans and notes taken by the Company for Ps. 147.9 million.

As regards the foreign exchange loss, during fiscal year 2015, Argentina's Peso depreciated by approximately 12%, down from Ps. 8.133 to the U.S. Dollar at June 30, 2014 to Ps. 9.088 to the U.S. Dollar at June 30, 2015, while during fiscal year 2014 the variation had been 51%, from Ps. 5.388 to the U.S. Dollar at June 30, 2013 to Ps. 8.133 to the U.S. Dollar at June 30, 2014. As discussed at the beginning, this situation materially affects our financial results because of the exposure of our indebtedness to the variations in the exchange rate between Argentina's Peso and the U.S. 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. The income tax expense during fiscal year went from Ps. 64.3 million in income during fiscal year 2014 to a Ps. 488.3 million loss during fiscal year 2015, hand in hand with income before tax, which went from a Ps. 895.9 million loss during fiscal year 2014 to Ps. 1,138.9 million in income during fiscal year 2015.

## Income/(loss) for the year

As a result of the factors described above, Income/(loss) for the year went from Ps. 831.6 million loss during fiscal year 2014 to Ps. 70.1 million gain during fiscal year 2015.

The income attributable to the controlling company's shareholders went from a Ps. 786.5 million loss during fiscal year 2014 to Ps. 41.2 million in loss during fiscal year 2015.

Income/(loss) attributable to the non-controlling interest went from a Ps. 45.1 million loss during fiscal year 2014 to Ps. 111.3 million in income during fiscal year 2015, primarily owing to increased profit from: (i) Rigby 183 LLC for Ps. 104.5 million due to the sale of the office building owned by it, (ii) Real Estate Strategies LP (Condor) for Ps. 12.8 million, (iii) IRSA Commercial Properties for Ps. 8.3 million and lower losses from Dolphin (IDBD) for Ps. 29.2 million.

## Results of operations for the fiscal years ended on June 30, 2014 and 2013

## Comparability of information:

## Revenues

	Fiscal Year ended on June 30, 2014				
	In millions of Ps.				
	Income	Interest	Common	Inter-segment	Segment-reporting
Revenues	statement in joint	ventures	maintenance	eliminations	
	(i)		expenses		
			and		
			collective		
			promotion		
			fund		
Shopping Centers	2,032.0	9.3	(659.7 )	1.4	1,383.0
Offices and Others	327.6	8.5	(69.7 )	4.8	271.2
Sales and Developments	62.6	22.9	-	-	85.5
Hotels	331.6	-	-	-	331.6
International	90.8	-	(6.9 )	-	83.9
Financial Operations and Others	0.6	-	-	-	0.6
Total revenues	2,845.2	40.6	(736.3 )	6.3	2,155.8

(i) Includes revenues from sales, leases and services (Ps. 2,108.9 million) and revenues from common maintenance expenses and collective promotion fund (Ps. 736.3 million).

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Fiscal Year ended on June 30, 2013  
In millions of Ps.

	Income statement (i)	Interest in joint ventures	Common maintenance expenses and collective promotion fund	Inter-segment eliminations	Segment-reporting
Revenues					
Shopping Centers	1,613.3	7.0	(517.2 )	-	1,103.0
Offices and Others	281.1	7.4	(75.2 )	3.9	217.2
Sales and Developments	24.9	117.1	-	-	142.0
Hotels	225.8	-	-	-	225.8
International	40.9	-	(1.9 )	-	39.0
Financial Operations and Others	1.2	-	-	-	1.2
Total revenues	2,187.2	131.5	(594.3 )	3.9	1,728.2

(i) Includes revenues from sales, leases and services (Ps. 1,592.9 million) and revenues from common maintenance expenses and collective promotion fund (Ps. 594.3 million).

Total revenues from sales, leases and services, pursuant to income statement, rose by 32.41%, up from Ps. 2,187.2 million during fiscal year 2013 to Ps. 2,845.2 million during fiscal year 2014.

In turn, revenues from common maintenance expenses and collective promotion fund increased by 23.9%, from Ps. 594.3 million during fiscal year 2013 (of which Ps. 517.2 million are allocated to the Shopping Centers segment) to Ps. 736.3 million during fiscal year 2014 (of which Ps. 659.7 million are allocated to the Shopping Centers segment).

Furthermore, revenues from interests in our joint ventures showed a 69.1% decrease, down from Ps. 131.5 million during fiscal year 2013 to Ps. 40.6 million during fiscal year 2014, primarily owing to lower revenues from sales related to the Horizons project, from the CYRSA S.A. joint venture.

Finally, inter-segment revenues rose by 59.0%, up from Ps. 3.9 million during fiscal year 2013 (allocated to the Offices and Others segment) to Ps. 6.3 million during fiscal year 2014 (of which Ps. 4.8 million are allocated to the Offices and Others segment).

Thus, according to business segment reporting, revenues grew by 24.7%, up from Ps. 1,728.2 million during fiscal year 2013 to Ps. 2,155.8 million during fiscal year 2014.

Shopping Centers. Revenues from the Shopping Centers segment rose by 25.4%, up from Ps. 1,103.0 million during fiscal year 2013 to Ps. 1,383.0 million during fiscal year 2014. This variation arose mainly from: (i) a Ps. 235.3 million increase in the revenues from base and percentage rents stemming from a 30.8% increase in our tenants' total sales, up from Ps. 12.3 million during fiscal year 2013 to Ps. 16.1 million during fiscal year 2014, and (ii) a Ps. 37.8 million increase in revenues from admission fees and parking fees.

Offices and Others. Revenues from the Offices and Others segment rose by 24.9%, up from Ps. 217.2 million during fiscal year 2013 to Ps. 271.2 million during fiscal year 2014. They were affected by the partial sales of investment properties that took place during fiscal year 2014 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 35%, up from Ps. 152.3 million during fiscal year 2013 to Ps. 205.5 million during fiscal year 2014, mainly due to the devaluation and an improvement in occupancy, whilst the rental revenues associated to properties whose leasable area had sustained a reduction, stood for almost the same revenues in both fiscal years (approx. Ps. 59 million). At the end of fiscal 2014, the occupancy rate for the portfolio of premium offices had been 98.3% 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 rose by 151.4%, from Ps. 24.9 million during fiscal year 2013 to Ps. 62.6 million during fiscal year 2014. This rise is mainly due to increased revenues from the sales of units at Condominios I and II for Ps. 47.7 million. Income from interests in our joint ventures (Horizons), in turn, dropped by Ps. 94.2 million causing a net 39.8% decrease in the segment's revenues, which went from Ps. 142.0 million during fiscal year 2013 down to Ps. 85.5 million during fiscal year 2014.

Hotels. Revenues from our Hotels segment rose by 46.9%, up from Ps. 225.8 million during fiscal year 2013 to Ps. 331.6 million during fiscal year 2014, primarily due to a 38% increase in the average rate (measured in Ps.) of our portfolio of Hotels and to the increase in average hotel occupancy, which went from 67.2% during fiscal year 2013 to 68.7% during fiscal year 2014 (primarily owing to an improvement in Llao Llao's average occupancy).

International. Revenues from the International segment rose by 115.1%, from Ps. 39.0 million in the year ended on June 30, 2013 to Ps. 83.9 million in the year ended on June 30, 2014, primarily owing to (i) the devaluation of Argentina's Peso as discussed above and, to a lesser extent, (ii) the 12-month consolidation in the year 2014 compared to the 9-month consolidation in the year 2013 of the results of Rigby, owner of the Madison 183 building intended for lease.

Financial Operations and Others. Revenues from the Financial Operation and Others segment fell from Ps. 1.2 million during fiscal year 2013 to Ps. 0.6 million during fiscal year 2014 as a consequence of lower revenues from residual consumer financing activities that Apsamedia S.A. (Metroshop S.A.'s surviving company and presently merged with IRSA Commercial Properties) used to conduct.

#### Costs

Costs	Fiscal Year ended on June 30, 2014				
	In millions of Ps.				
	Income statement	Interest in joint ventures	Common maintenance expenses and collective promotion fund	Inter-segment eliminations	Segment-reporting
Shopping Centers	(952.9 )	(2.8 )	667.1	(4.7 )	(293.3 )
Offices and Others	(107.3 )	(4.4 )	69.7	-	(42.0 )
Sales and Developments	(17.5 )	(16.0 )	-	-	(33.5 )
Hotels	(216.0 )	-	-	-	(216.0 )
International	(60.4 )	-	6.9	-	(53.5 )

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Financial Operations and Others	(0.4 )	-	-	-	(0.4 )
Total Costs	(1,354.5)	(23.2 )	743.7	(4.7 )	(638.7 )

Fiscal Year ended on June 30, 2013  
In millions of Ps.

Costs	Income statement	Interest in joint ventures	Common maintenance expenses and collective promotion fund	Inter-segment eliminations	Segment-reporting
Shopping Centers	(758.9 )	(2.1 )	522.7	(2.7 )	(241.1 )
Offices and Others	(113.8 )	(4.8 )	75.2	-	(43.4 )
Sales and Developments	(12.2 )	(94.2 )	-	-	(106.4 )
Hotels	(168.3 )	-	-	-	(168.3 )
International	(33.5 )	-	1.9	-	(31.6 )
Financial Operations and Others	(0.9 )	-	-	-	(0.9 )
Total Costs	(1,087.6)	(101.1 )	599.8	(2.7 )	(591.6 )

Total consolidated costs increased by 24.5%, up from Ps. 1,087.6 million during fiscal year 2013 to Ps. 1,354.5 million during fiscal year 2014. Total consolidated costs as a percentage of revenues from sales, leases and services, shrank from 68.3% during fiscal year 2013 to 64.2% during fiscal year 2014.

In turn, costs from our joint ventures exhibited a 78.1% net decrease, down from Ps. 101.1 million during fiscal year 2013 to Ps. 23.2 million during fiscal year 2014, due primarily to the reduction in costs caused by the reduction in sales in the Horizons project.

By the same token, inter-segment costs rose by 74.1%, up from Ps. 2.7 million during fiscal year 2013 to Ps. 4.7 million during fiscal year 2014, mainly due to a change in the distribution of our Shopping Centers costs.

Therefore, according to business segment reporting, costs grew by 1.7%, up from Ps. 591.6 million during fiscal year 2013 to Ps. 638.7 million during fiscal year 2014. Total costs as a percentage of total revenues, according to business segment reporting and considering both our joint ventures and the inter-segment eliminations, decreased from 34.4% during fiscal year 2013 to 29.6% during fiscal year 2014.

Shopping Centers. Costs from the Shopping Centers segment rose by 21.7%, up from Ps. 241.1 million during fiscal year 2013 to Ps. 293.3 million during fiscal year 2014. This increase is mainly due to: (i) an increase in salaries, social security charges and other personnel expenses amounting to Ps. 15.6 million, (ii) increased costs due to the deficit in common maintenance expenses and collective promotion fund of shopping centers for Ps. 46.8 million, (iii) an increase in maintenance, security, cleaning, repair and other expenses amounting to Ps. 2.9 million (caused mainly by price raises in security and cleaning services and in public utilities rates) and (iv) decreased depreciation and amortization costs for Ps. 17.9 million. Costs from the Shopping Centers segment, as a percentage of this segment's revenues, decreased by 21.9% during fiscal year 2013 to 21.2% during fiscal year 2014.



Offices and Others. Costs in the Offices and Others segment dropped by 3.1%, from Ps. 43.4 million during fiscal year 2013 to Ps. 42.0 million during fiscal year 2014. This variance is affected by the partial sales of investment properties intended for lease during fiscal year 2014. Costs in the Offices and Others segment, considering similar properties in both fiscal years on account of the inexistence of partial sales, rose by 16.5% from Ps. 68.1 million to Ps. 79.3 million, primarily owing to increased depreciation and amortization costs, generated because of the sale of investment properties. On the other hand, costs associated to non-comparable properties decreased by 17.8%, down from Ps. 5.7 million to Ps. 4.7 million, due mainly to the above-mentioned sales. Costs in the Offices and Others segment, as a percentage of this segment's revenues, fell from 20.0% during fiscal year 2013 to 15.5% during fiscal year 2014.

Sales and Developments. This segment's costs often exhibit significant variances between one period and the other because of: (i) the non-recurrence of the sales of properties and of the prices obtained for such sales; (ii) the quantity of properties being developed and (iii) the date of completion of such developments under construction. Costs associated to our Sales and Developments segment decreased by 68.5%, from Ps. 106.4 million during fiscal year 2013 down to Ps. 33.5 million during fiscal year 2014. This decrease is primarily attributable to lower costs from the sale of units in Horizons (Ps. 77.0 million), partially offset by increased costs associated to the sales of units at Condominios I and II (Ps. 7.6 million). Costs in the Sales and Developments segment, as a percentage of this segment's revenues, fell from 74.9% during fiscal year 2013 to 39.2% during fiscal year 2014.

Hotels. Costs in the Hotels segment rose by 28.3%, from Ps. 168.3 million during fiscal year 2013 to Ps. 216.0 million during fiscal year 2014, mainly due to: (i) a Ps. 25.2 million increase in salaries, social security charges and other personnel expenses; (ii) a Ps. 20.1 million increase in the costs of food, beverages and other hotel-related expenses; and (iii) increased charges, amounting to Ps. 4.6 million, as maintenance and repairs, among others. Costs in the Hotels segment, as a percentage of this segment's revenues, decreased from 74.5% during fiscal year 2013 to 65.1% during fiscal year 2014.

International. Costs in the International segment rose by 69.4%, from Ps. 31.6 million during fiscal year 2013 to Ps. 53.5 million during fiscal year 2014 mainly due to: (i) the devaluation of Argentina's Peso and, to a lesser extent, (ii) the 12-month consolidation in the year 2014 compared to the 9-month consolidation in the year 2013 of the results of Rigby 183 LLC, owner of the Madison 183 building intended for lease. Costs in the International segment, as a percentage of this segment's revenues, decreased from 81.0% during fiscal year 2013 to 63.8% during fiscal year 2014.

Financial Operations and Others. Costs from the Financial Operations and Others segment decreased by 58.9%, from Ps. 0.9 million during fiscal year 2013 to Ps. 0.4 million during fiscal year 2014, as a result of reduced revenues from the residual consumer financing activities attributable to Apsamedia S.A. (Metroshop S.A.'s surviving company and presently merged with IRSA Commercial Properties). Costs from the Financial Operations and Others segment, as a percentage of this segment's revenues, shrank from 75.4% during fiscal year 2013 to 65.0% during fiscal year 2014.

#### Gross profit

As a consequence of the events discussed above, total consolidated gross profit rose by 33.5%, up from Ps. 1,136.6 million to Ps. 1,517.1 million during fiscal years 2013 and 2014, respectively. Total consolidated gross profit, as a percentage of total revenues, rose from 65.8% during fiscal year 2013 to 70.4% during fiscal year 2014.

Shopping Centers. Gross profit at the Shopping Centers segment increased by 26.4%, up from Ps. 862.0 million during fiscal year 2013 to Ps. 1,089.7 million during fiscal year 2014. Gross profit from the Shopping Centers segment as a percentage of this segment's revenues increased from 78.1% during fiscal year 2013 to 78.8% during fiscal year 2014.

Offices and Others. Gross profit at the Offices and Others segment rose by 31.8%, from Ps. 173.8 million during fiscal year 2013 up to Ps. 229.1 million during fiscal year 2014. Gross profit for the Offices and Others segment as a percentage of this segment's revenues rose from 80.0% during fiscal year 2013 to 84.5% during fiscal year 2014.

Sales and Developments. Gross profit at the Sales and Developments segment rose by 46.2%, up from Ps. 35.6 million during fiscal year 2013 to Ps. 52.0 million during fiscal year 2014. Gross profit for the Sales and Developments segment, as a percentage of this segment's revenues, rose from 25.1% during fiscal year 2013 to 60.8% during fiscal year 2014.

Hotels. Gross profit at the Hotels segment rose by 100.8%, up from Ps. 57.6 million during fiscal year 2013 to Ps. 115.6 million during fiscal year 2014. Gross profit for the Hotels segment, as a percentage of this segment's revenues, increased from 25.5% during fiscal year 2013 to 34.9% during fiscal year 2014.

International. Gross profit at the International segment rose by 310.4%, up from Ps. 7.4 million during fiscal year 2013 to Ps. 30.4 million during fiscal year 2014. Gross profit at the International segment, as a percentage of this segment's revenues, rose from 19.0% during fiscal year 2013 to 36.2% during fiscal year 2014.

Financial Operations and Others. Gross profit at the Financial Operations and Others segment shrank by Ps. 0.1 million, down from Ps. 0.3 million during fiscal year 2013 to Ps. 0.2 million during fiscal year 2014. Gross profit at the Financial Operations and Others segment, as a percentage of this segment's revenues, rose from 24.6% during fiscal year 2013 to 35.0% during fiscal year 2014.

## Gain from disposal of investment properties

Gain from disposal of investment properties rose by 28.2%, up from Ps. 183.8 million during fiscal year 2013 to Ps. 235.5 million during fiscal year 2014, due primarily to the sales of functional units at: Maipú 1300 (Ps. 28.3 million), Bouchard 551 (Ps. 24.1 million), Av. de Mayo 595 (Ps. 19.2 million), Constitución 1159 (Ps. 13.4 million), Costeros Dique IV (Ps. 2.9 million) and Rivadavia 565 (Ps. 1.1 million), partially offset by a lower gain from sales at Libertador 498 (Ps. 36.7 million).

## General and administrative expenses

Fiscal Year ended on June 30, 2014

In millions of Ps.

General & administrative expenses	Income statement	Interest in joint ventures	Common maintenance expenses and collective promotion fund	Inter-segment eliminations	Segment-reporting
Shopping Centers	(100.7 )	(0.1 )	-	(0.7 )	(101.5 )
Offices and Others	(41.2 )	(0.1 )	-	(0.6 )	(41.9 )
Sales and Developments	(37.0 )	(0.5 )	-	-	(37.5 )
Hotels	(58.6 )	-	-	(1.0 )	(59.6 )
International	(59.5 )	-	-	-	(59.5 )
Financial Operations and Others	(0.1 )	-	-	-	(0.1 )
Total expenses	(297.1 )	(0.7 )	-	(2.3 )	(300.1 )

Fiscal Year ended on June 30, 2013

In millions of Ps.

General & administrative expenses	Income statement	Interest in joint ventures	Common maintenance expenses and collective promotion fund	Inter-segment eliminations	Segment-reporting
Shopping Centers	(66.4 )	(0.1 )	-	(1.1 )	(67.6 )
Offices and Others	(34.8 )	(0.2 )	-	-	(35.0 )
Sales and Developments	(31.0 )	(1.9 )	-	-	(32.9 )
Hotels	(49.4 )	-	-	(0.5 )	(49.9 )
International	(13.2 )	-	-	-	(13.2 )
Financial Operations and Others	(0.3 )	-	-	-	(0.3 )
Total expenses	(195.1 )	(2.2 )	-	(1.6 )	(198.9 )

Total consolidated administrative expenses rose by 52.3%, up from Ps. 195.1 million during fiscal year 2013 to Ps. 297.1 million during fiscal year 2014, mainly due to the expenses attributable to our International segment which exhibited major growth primarily due to the devaluation of Argentina's Peso and the expenses incurred in connection with our investment in IDBD. Total consolidated administrative expenses as a percentage of total consolidated revenues rose from 11.5% during fiscal year 2013 to 13.9% during fiscal year 2014.

Administrative expenses of our joint ventures decreased by 62.7%, from Ps. 2.2 million during fiscal year 2013 (out of this figure, Ps. 1.9 million are allocated to the Sales and Developments segment) to Ps. 0.8 million during fiscal year 2014 (out of this figure, Ps. 0.5 million are allocated to the Sales and Developments segment).

Thus, according to business segment reporting, and considering both our joint ventures and the inter-segment eliminations, administrative expenses grew by 51.0%, up from Ps. 198.8 million during fiscal year 2013 to Ps. 300.1 million during fiscal year 2014. Administrative expenses as a percentage of revenues, according to business segment reporting, and considering both our joint ventures and the inter-segment eliminations, went up from 11.5% during fiscal year 2013 to 13.9% during fiscal year 2014.

**Shopping Centers.** Administrative expenses in the Shopping Centers segment rose by 50.2%, up from Ps. 67.6 million during fiscal year 2013 to Ps. 101.5 million during fiscal year 2014, mainly as a result of: (i) a Ps. 13.3 million increase in salaries, social security charges and other personnel expenses; (ii) a Ps. 11.3 million increase in the charge associated to Directors' fees; and (iii) a Ps. 5.3 million increase in the charge associated to fees for services. Administrative expenses for the segment, as a percentage of this segment's revenues, rose from 6.1% during fiscal year 2013 to 7.3% during fiscal year 2014.

**Offices and Others.** General & administrative expenses in our Offices and Others segment increased by 19.7%, up from Ps. 35.0 million during fiscal year 2013 to Ps. 41.9 million during fiscal year 2014, primarily due to a Ps. 9.1 million increase in salaries, social security charges and other personnel expenses partially offset by a Ps. 3.1 million decrease in the charge associated to Directors' fees. The segment's general & administrative expenses, as a percentage of this segment's revenues decreased from 16.1% to 15.4%.

**Sales and Developments.** General & administrative expenses associated to our Sales and Developments segment rose by 13.4%, up from Ps. 32.9 million during fiscal year 2013 to Ps. 37.5 million during fiscal year 2014, primarily owing to a Ps. 6.5 million increase in salaries, social security charges and other personnel expenses partially offset by a Ps. 2.6 million decrease in the charge associated to Directors' fees. General & administrative expenses associated to the Sales and Developments segment as a percentage of this segment's revenues rose from 23.2% during fiscal year 2013 to 43.8% during fiscal year 2014.

**Hotels.** General & administrative expenses associated to our Hotels segment rose by 19.4%, from Ps. 49.9 million during fiscal year 2013 to Ps. 59.6 million during fiscal year 2014, mainly as a result of: (i) a Ps. 4.0 million increase in salaries, social security charges and other personnel expenses; (ii); an increased charge, amounting to Ps. 2.2 million, as maintenance and repairs and (iii) a Ps. 2.5 million increase in fees for services, among others. General & administrative expenses associated to the Hotels segment as a percentage of this segment's revenues dropped from 22.1% during fiscal year 2013 to 18.0% during fiscal year 2014.

**International.** General & administrative expenses associated to our International segment rose by Ps. 46.3 million, up from Ps. 13.2 million during fiscal year 2013 to Ps. 59.5 million during fiscal year 2014, mainly due to: (i) the devaluation of Argentina's Peso, (iii) expenses incurred in connection with our investment in IDBD, and, to a lesser extent, (ii) the 12-month consolidation in the year 2014 compared to the 9-month consolidation in the year 2013 of the results of Rigby, owner of the Madison 183 building intended for lease. General & administrative expenses associated to the International segment as a percentage of this segment's revenues rose from 33.7% during fiscal year 2013 to 70.9% during fiscal year 2014.

## Selling expenses

Fiscal Year ended on June 30, 2014

In millions of Ps.

	Income statement	Interest in joint ventures	Common maintenance expenses and collective promotion fund	Inter-segment eliminations	Segment-reporting
Selling expenses					
Shopping Centers	(72.5 )	(0.7 )	-	(0.2 )	(73.4 )
Offices and Others	(20.3 )	(0.4 )	-	-	(20.8 )
Sales and Developments	(11.3 )	(2.4 )	-	-	(13.7 )
Hotels	(42.2 )	-	-	(0.2 )	(42.3 )
International	-	-	-	-	-
Financial Operations and Others	0.1	-	-	-	0.1
Total expenses	(146.2)	(3.5 )	-	(0.4 )	(150.1 )

Fiscal Year ended on June 30, 2013

In millions of Ps.

	Income statement	Interest in joint ventures	Common maintenance expenses and collective promotion fund	Inter-segment eliminations	Segment-reporting
Selling expenses					
Shopping Centers	(58.2 )	(0.7 )	-	-	(58.9 )
Offices and Others	(10.9 )	(0.5 )	-	-	(11.4 )
Sales and Developments	(6.7 )	(9.8 )	-	-	(16.5 )
Hotels	(28.7 )	-	-	(0.1 )	(28.9 )
International	-	-	-	-	-
Financial Operations and Others	(1.6 )	-	-	-	(1.6 )
Total expenses	(106.1)	(11.0 )	-	(0.1 )	(117.2 )

Total consolidated selling expenses rose by 37.8%, up from Ps. 106.1 million during fiscal year 2013 to Ps. 146.2 million during fiscal year 2014. Total consolidated selling expenses as a percentage of total consolidated revenues remained stable at 5%.

In turn, selling expenses of our joint ventures shrank by 68.1%, down from Ps. 11.0 million (out of this figure, Ps. 9.8 million are allocated to the Sales and Developments segment) during fiscal year 2013 to Ps. 3.5 million (out of this figure, Ps. 2.4 million are allocated to the Sales and Developments segment) during fiscal year 2014. This decrease is primarily 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 2014.

Thus, according to business segment reporting and considering both our joint ventures and the inter-segment eliminations, selling expenses grew by 28.0%, up from Ps. 117.2 million during fiscal year 2013 to Ps. 150.1 million

during fiscal year 2014. Selling expenses as a percentage of revenues, according to business segment reporting, and considering both our joint ventures and the inter-segment eliminations, remained stable at 7% in both fiscal years.

Shopping Centers. Selling expenses in the Shopping Centers segment rose by 24.6%, up from Ps. 58.9 million during fiscal year 2013 to Ps. 73.4 million during fiscal year 2014 primarily as a result of: (i) a Ps. 10.2 million increase in the charge associated to taxes, rates and contributions; (ii) a Ps. 5.2 million increase in advertising and other selling expenses; (iii) a Ps. 2.7 million increase in salaries, social security charges and other personnel expenses; partially offset by (iv) a Ps. 4.1 million decrease in loan loss charges. Selling expenses, as a percentage of the Shopping Centers segment's revenues remained stable at 5.3% in both fiscal years.

Offices and Others. Selling expenses associated to our Offices and Others segment rose by 82.7%, up from Ps. 11.4 million during fiscal year 2013 to Ps. 20.8 million during fiscal year 2014 mainly attributable to: (i) a Ps. 4.6 million increase in loan loss charges; (ii) a Ps. 2.4 million increase in salaries, social security charges and other personnel expenses; and (iii) a Ps. 2.1 million increase in taxes, rates and contributions, primarily owing to an increase in turnover tax. Selling expenses associated to our Offices and Others segment, as a percentage of this segment's revenues rose from 5.2% during fiscal year 2013 to 7.7% during fiscal year 2014.

Sales and Developments. Selling expenses for the Sales and Developments segment decreased by 16.7%, down from Ps. 16.5 million during fiscal year 2013 to Ps. 13.7 million during fiscal year 2014, mainly as a result of: (i) a Ps. 2.7 million decrease in taxes, rates and contributions and (ii) lower charges associated to fees and payment for services, which amounted to Ps. 2.7 million and were partially offset by (i) a Ps. 1.3 million increase in salaries, social security charges and other personnel expenses, and (ii) increased charge associated to commissions for Ps.0.9 million. Selling expenses associated to our Sales and Developments segment as a percentage of this segment's revenues rose from 11.6% during fiscal year 2013 to 16.0% during fiscal year 2014.

Hotels. Selling expenses associated to our Hotels segment rose by 46.4%, from Ps. 28.9 million during fiscal year 2013 to Ps. 42.3 million during fiscal year 2014, mainly due to: (i) a Ps. 6.5 million increase in taxes, rates and contributions; (ii) a Ps. 2.1 million increase in salaries, social security charges and other personnel expenses and (iii) a Ps. 2.1 million increase in advertising and other selling expenses. Selling expenses associated with our Hotels segment as a percentage of this segment's revenues remained stable at 12.8% in both fiscal years.

Financial Operations and Others. Selling expenses in the Financial Operations and Others segment shrank by Ps. 1.7 million, from a Ps. 1.6 million loss during fiscal year 2013 to income for Ps. 0.1 million during fiscal year 2014, mainly attributable to a recovery of loan loss charges related to the residual consumer financing activities attributable to Apsamedia S.A. (Metroshop S.A.'s surviving company and presently merged with IRSA Commercial Properties).

## Other operating results, net

Fiscal Year ended on June 30, 2014

In millions of Ps.

Other Operating results, net	Income	Interest in joint ventures	Common maintenance expenses and collective promotion fund	Inter-segment eliminations	Segment-reporting
Shopping Centers	(46.0)	(0.7 )	-	0.1	(46.6 )
Offices and Others	(1.8 )	(2.3 )	-	1.0	(3.1 )
Sales and Developments	8.3	(0.2 )	-	-	8.1
Hotels	(2.7 )	-	-	-	(2.7 )
International	(0.9 )	-	-	-	(0.9 )
Financial Operations and Others	(2.9 )	-	-	-	(2.9 )
Total results	(45.8)	(3.2 )	-	1.1	(47.9 )

Fiscal Year ended on June 30, 2013

In millions of Ps.

Other Operating results, net	Income	Interest in joint ventures	Common maintenance expenses and collective promotion fund	Inter-segment eliminations	Segment-reporting
Shopping Centers	(44.5 )	(0.5 )	-	-	(45 )
Offices and Others	0.2	(1.0 )	-	0.6	(0.2 )
Sales and Developments	6.3	-	-	-	6.3
Hotels	(0.4 )	-	-	-	(0.4 )
International	135.1	-	-	-	135.1
Financial Operations and Others	(3.4 )	-	-	-	(3.4 )
Total results	93.3	(1.5 )	-	0.6	92.4

Other operating results, net went from Ps. 93.3 million in net income during fiscal year 2013 to Ps. 45.9 million in net loss during fiscal year 2014, mainly due to the non-recurrence of a Ps. 137.0 million profit recognized during fiscal year 2013 for the acquisition of an additional interest in Rigby 183 LLC.

The effect of the consolidation of our joint ventures is not significant in this line. According to business segment reporting and considering both our joint ventures and the inter-segment eliminations, the Other operating results, net line went from Ps. 92.4 million in net income during fiscal year 2013 to Ps. 47.9 million in net loss during fiscal year 2014.

Shopping Centers. Other operating losses, net for the Shopping Centers segment rose by 3.4%, up from Ps. 45.0 million during fiscal year 2013 to Ps. 46.6 million during fiscal year 2014, mainly as a consequence of: (i) a Ps. 1.8 million increase in provisions for lawsuits and contingencies and (ii) a Ps. 0.6 million increase in donations, partially offset by (iii) reduced charges, Ps. 0.3 million, for the analysis and assessment of projects. Other operating losses, net,

as a percentage of total revenues in the Shopping Centers segment, shrank from 4.1% during fiscal year 2013 to 3.4% during fiscal year 2014.

Offices and Others. Other operating losses, net associated with our Offices and Others segment rose by Ps. 2.9 million, from Ps. 0.2 million during fiscal year 2013 to Ps. 3.1 million during fiscal year 2014, mainly due to: (i) the non-recurrence of a recovery of an allowance for the impairment of assets charged during fiscal year 2013 for Ps. 1.8 million; (ii) a Ps. 0.7 million increase in provisions for lawsuits and other contingencies. Other operating losses, net associated with our Offices and Others segment as a percentage of this segment's revenues rose from 0.1% during fiscal year 2013 to 1.1% during fiscal year 2014.

Sales and Developments. Other operating income, net in connection with our Sales and Developments segment rose by Ps. 1.8 million, up from Ps. 6.3 million during fiscal year 2013 to Ps. 8.1 million during fiscal year 2014, mainly due to: (i) a fee charged as "fee for admission to the undertaking" in connection with the sale of the Neuquén lot that will accommodate a hotel, (ii) reduced charges, Ps. 2.2 million, for the analysis and assessment of projects and (iii) a decrease in provisions for lawsuits and other contingencies; partially offset by (iv) the non-recurrence of the Ps. 15.1 million profit for the sale of our interest in the capital stock of Canteras Natal Crespo S.A. (a Company joint venture), recognized during fiscal year 2013.

Hotels. Other operating losses, net associated to the Hotels segment rose by Ps. 2.3 million, up from Ps. 0.4 million during fiscal year 2013 to Ps. 2.7 million during fiscal year 2014, primarily owing to an increase in provisions for lawsuits and other contingencies. Other operating losses, net associated to the Hotels segment, as a percentage of this segment's revenues rose from 0.2% during fiscal year 2013 to 0.8% during fiscal year 2014.

International. Other operating results, net in this segment went from Ps. 135.1 million in net income during fiscal year 2013 to Ps. 0.9 million in net loss during fiscal year 2014, primarily due to the non-recurrence of a Ps. 136.0 million profit recognized during fiscal year 2013 for the acquisition of an additional interest in Rigby.

Financial Operations and Others. Other operating losses, net associated to our Financial Operations and Others segment shrank by Ps. 0.4 million, from Ps. 3.4 million during fiscal year 2013 to Ps. 2.9 million during fiscal year 2014, mainly due to the fact that Banco Hipotecario has deducted lower taxes on a reduced amount of dividends distributed by it to Ritelco and Tyrus during fiscal year 2014.



## Operating income/(loss)

Fiscal Year ended on June 30, 2014

In millions of Ps.

	Income	Interest	Common	Inter-segment	Segment-reporting
Operating income/(loss)	statement	in joint	maintenance	eliminations	
		ventures	expenses		
			and		
			collective		
			promotion		
			fund		
Shopping Centers	859.9	5.0	7.4	(4.1 )	868.2
Offices and Others	157.0	1.2	-	5.2	163.4
Sales and Developments	240.7	3.8	-	-	244.5
Hotels	12.1	-	-	(1.1 )	11.0
International	(30.0 )	-	-	-	(30.0 )
Financial Operations and Others	(2.6 )	-	-	-	(2.6 )
Total Operating income/(loss)	1,237.0	10.0	7.4	-	1,254.5

Fiscal Year ended on June 30, 2013

In millions of Ps.

	Income	Interest	Common	Inter-segment	Segment-reporting
Operating income/(loss)	statement	in joint	maintenance	eliminations	
		ventures	expenses		
			and		
			collective		
			promotion		
			fund		
Shopping Centers	685.2	3.5	5.5	(3.8 )	690.5
Offices and Others	121.8	0.9	-	4.4	127.1
Sales and Developments	165.1	11.3	-	-	176.4
Hotels	(21.1 )	-	-	(0.6 )	(21.7 )
International	129.3	-	-	-	129.3
Financial Operations and Others	(5.0 )	-	-	-	(5.0 )
Total Operating income/(loss)	1,075.3	15.7	5.5	-	1096.5

As a consequence of the events discussed above, total consolidated operating income grew by 15.0%, from Ps. 1,075.6 million to Ps. 1,237.2 million during fiscal years 2013 and 2014, respectively. Total consolidated operating income, as a percentage of revenues from sales, leases and services, dropped from 63.5% during fiscal year 2013 to 58.2% during fiscal year 2014.

Operating income of our joint ventures decreased by 36.6%, down from Ps. 15.7 million (out of this figure, Ps. 11.3 million were allocated to the Sales and Developments segment) during fiscal year 2013, to Ps. 10.0 million (out of this figure, Ps. 3.8 million were allocated to the Sales and Developments segment) during fiscal year 2014.

Thus, according to business segment reporting, and considering both our joint ventures and the inter-segment eliminations, operating income rose by 14.4%, up from Ps. 1,096.8 million during fiscal year 2013 to Ps. 1,254.2 million during fiscal year 2014. Operating income as a percentage of revenues according to business segment reporting, and considering both our joint ventures and the inter-segment eliminations, shrank from 63.5% during fiscal

year 2013 to 58.2% during fiscal year 2014.

Shopping Centers. Operating income in our Shopping Centers segment grew by 25.7%, from Ps. 690.5 million in income during fiscal year 2013 to Ps. 868.2 million in income during fiscal year 2014. The operating income for our Shopping Centers segment, as a percentage of this segment's revenues remained close to 63.0% in both fiscal years.

Offices and Others. Operating income in our Offices and Others segment grew by 28.4%, up from Ps. 127.2 million in income during fiscal year 2013 to Ps. 163.4 million in income during fiscal year 2014. The operating income in our Offices and Others segment measured as percentage of this segment's revenues grew from 58.6% during fiscal year 2013 to 60.3% during fiscal year 2014.

Sales and Developments. Operating income in our Sales and Developments segment rose by 38.6%, up from income for Ps. 176.4 million during fiscal year 2013 to income for Ps. 244.5 million during fiscal year 2014. Operating income in our Sales and Developments segment as a percentage of this segment's revenues rose from 124.2% during fiscal year 2013 to 285.9% during fiscal year 2014.

Hotels. The trend of Operating income/(loss) for the Hotels segment has decreased a 150.8%, from a Ps. 21.6 million loss during fiscal year 2013 to Ps. 11 million in income during fiscal year 2014.

International. Operating income/(loss) in our International segment shrank a 123.2% from Ps. 129.3 million in income during fiscal year 2013 to a loss of Ps. 30.0 million during fiscal year 2014.

Financial Operations and Others. Operating income/(loss) for our Financial Operations and Others segment has improved a 47.0%, from a Ps. 4.9 million loss during fiscal year 2013 to a Ps. 2.6 million loss during fiscal year 2014.

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

The share of loss of associates and joint ventures grew from Ps. 20.1 million during fiscal year 2013 to Ps. 440.1 million during fiscal year 2014. This growth is mainly due to the Ps. 517.0 million loss booked in the course of this fiscal year, as it is measured at market value and since our acquisition, IDBD's shares have fallen by 47.3% and to an increased loss of Ps. (154.5) million caused by our interest in New Lipstick LLC (International segment), partially offset by the recognition in the course of this fiscal year of income for Ps. 15.5 million for the acquisition of Condor Hospitality Trust (International segment) and the increased profit from our interest in Banco Hipotecario for Ps. 184.5 million (Financial Operations and Others segment).

## Financial results, net

The net financial loss grew by 169.4%, from Ps. 638.2 million during fiscal year 2013 to Ps. 1,719.3 million during fiscal year 2014, mainly as a result of: (i) higher foreign exchange losses for Ps. 795.8 million, (ii) interest for Ps. 161.6 million; and (iii) derivative financial instruments for Ps. 327.9 million, partially offset by (iii) increased income from the valuation at fair value of financial assets and liabilities for Ps. 214.0 million, primarily due to (a) the valuation of assets and liabilities in connection with Dolphin for Ps. 165 million and (b) the valuation of Condor Hospitality Trust's preferred shares for Ps. 50.7 million.

As regards the foreign exchange loss, during fiscal year 2014, Argentina's Peso depreciated by approximately 51% down from Ps. 5.388 to the U.S. Dollar at June 30, 2013 to Ps. 8.133 to the U.S. Dollar at June 30, 2014, while during fiscal year 2013 the variation had been 19.0%, from Ps. 4.527 to the U.S. Dollar at June 30, 2012 up to Ps. 5.388 to the U.S. Dollar at June 30, 2013. As discussed at the beginning, this situation adversely affects our financial results because of the exposure of our indebtedness to the variations in the exchange rate between Argentina's Peso and the U.S. 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. The income tax expense for the fiscal year went from a Ps. 132.8 million loss during fiscal year 2013 to Ps. 64.3 million in income during fiscal year 2014, hand in hand with income before tax, which went from Ps. 430.1 million in income during fiscal year 2013 to a loss of Ps. 895.9 million during fiscal year 2014.

## Income/(loss) for the year

As a result of the factors described above, Income/(loss) for the year went from income for Ps. 297.2 million during fiscal year 2013 to a loss for Ps. 831.6 million during fiscal year 2014.

The income attributable to the controlling company's shareholders went from Ps. 238.7 million in income during fiscal year 2013 to Ps. 786.5 million in loss during fiscal year 2014.

Income/(loss) attributable to the non-controlling interest went from income for Ps. 58.5 million during fiscal year 2013 to a loss for Ps. 45.1 million during fiscal year 2014, primarily owing to the non-recurrence of the profits recognized during fiscal year 2013 for Ps. 22.1 million from REIG, REIG II and REIG III (vehicles used to make the investment in Hersha Hospitality Trust, through minority interests equivalent to 36.0%, 19.5% and 18.8% respectively), losses recognized in the course of this fiscal year for Ps. 113.4 million in connection with Dolphin (the vehicle we used to invest in IDBD with a 13.84% ownership interest), offset by increased profit for Ps. 17.8 million recognized in RES and Efanur (the vehicles we used to invest in Condor through a minority interest equivalent to 33.2%) and increased profit from IRSA Commercial Properties, PAMSA and ERSA for Ps. 15.9 million (subsidiaries with minority ownership interests equivalent to 4.3%, 20.0% and 46.3%, respectively).

## Banco Hipotecario's Results of Operations

### Overview

We do not consolidate the consolidated financial statements of our investee Banco Hipotecario. However, according to Rule 3-09 of Regulation S-X, we are required to file separate financial statements of significant investees. This Management's Discussion and Analysis of Financial Condition and Results of Operations should be read together with

Banco Hipotecario's consolidated financial statements contained elsewhere in this annual report. This discussion contains forward-looking statements that involve risks, uncertainties and assumptions. These forward-looking statements include, among others, those statements including the words "expects," "anticipates," "intends," "believes" and similar language. The actual results may differ materially and adversely from those anticipated in these forward-looking statements as a result of many factors, including those set forth elsewhere in this annual report.

Banco Hipotecario maintains its financial books and records in Pesos and prepares its financial statements in conformity with the policies of the Central Bank which prescribes the reporting and disclosure requirements for banks and financial institutions in Argentina ("Argentine Banking GAAP"). These rules differ in certain respects from generally accepted accounting principles in Argentina ("Argentine GAAP"). A description of significant differences between Argentine Banking GAAP and Argentine GAAP are set forth in Note 3 to Banco Hipotecario's consolidated financial statements. Argentine Banking GAAP and Argentine GAAP also differ in certain significant respects from U.S. GAAP. Such differences involve methods of measuring the amounts shown in the consolidated financial statements, as well as additional disclosures required by U.S. GAAP and regulations of the SEC. See Note 34 to the consolidated financial statements of Banco Hipotecario included elsewhere in this annual report for a description of the principal differences between Argentine Banking GAAP and U.S. GAAP, as they relate to Banco Hipotecario, and a reconciliation to U.S. GAAP of Banco Hipotecario's net income (loss) and shareholders' equity.

#### Critical Accounting Policies

Banco Hipotecario believes that the following are the critical accounting policies under Argentine Banking GAAP and U.S. GAAP, as they are important to the portrayal of its financial condition and results of operations and require its most difficult, subjective and complex judgment and the need to make estimates about the effect of matters that are inherently uncertain.

##### Allowance for loan losses

Banco Hipotecario SA allowance for loan losses are maintained in accordance with Argentine Banking GAAP. Under such regulations, a minimum allowance for loan losses is calculated primarily based upon the classification of Banco Hipotecario's commercial loan borrowers and the past due status of Banco Hipotecario's individual loan borrowers, in both cases considering the guarantee of the loans. Although the Bank is required to follow the methodology and guidelines for determining its allowance for loan loss as set forth by the Central Bank, is allowed to provide additional allowances for loan loss.

Banco Hipotecario classifies individual loans based upon their past due status consistently with the requirements of the Central Bank. Minimum loss percentages required by the Central Bank are also applied to the totals in each loan classification. Balances of loans and reserves are charged-off and reflected on its balance sheet three months since the date on which the loans were fully covered by its loan loss allowance.

For commercial loans, the Central Bank required to classify all of Banco Hipotecario's commercial loan borrowers. In order to perform the classification, the Bank must consider the management and operating history of the borrower, the present and projected financial situation of the borrower, the borrower's payment history and ability to service the debt, the capability of the borrower's internal information and control systems and the risk in the sector in which the borrower operates. The Bank applies the minimum loss percentages required by the Central Bank to Banco Hipotecario's commercial loan borrowers based on the loan classification and the nature of the collateral, or guarantees, of the loan. In addition, based on the overall risk of the portfolio, the Bank considers whether or not additional loan loss allowance in excess of the minimum required are warranted. The Credit Committee evaluates several factors in order to determine the additional reserves like the factors mentioned above.

Under U.S. GAAP the allowance for loan losses represent the estimate of probable losses in the loan portfolio. Determining the allowance for loan losses requires significant management judgments and estimates including, among

others, identifying impaired loans, determining customers' ability to pay and estimating the fair value of underlying collateral or the expected future cash flows to be received. Actual events are likely to differ from the estimates and assumptions used in determining the allowance for loan losses. Additional provisions for loan losses could be required in the future.

#### Fair Value Estimates

The Bank prepares its financial statements in accordance with the rules of the Central Bank related thereto, which differ from U.S. GAAP in valuing financial instruments.

Argentina Banking GAAP allows companies to record their financial instruments at fair value. Nevertheless, give specifics valuations rules for some securities and derivatives instruments.

U.S. GAAP requires financial instruments to be valued at fair value. The Bank estimated the fair value, for available for sale and trading securities and other financial instruments, as the amount at which a financial instrument could be exchanged in a current transaction between willing parties, other than in a forced sale or liquidation, and such value was best evidenced by a quoted market price, if one existed. In cases where quoted market prices were not available, fair value estimation was based on the quoted market price of a financial instrument with similar characteristics, the present value of expected future cash flows, or other valuation techniques, all of which were significantly affected by the assumptions used.

#### Minimum Presumed Income Tax

The Bank has recognized the minimum presumed income tax accrued and paid in prior years as an asset as of June 30, 2014, because the Bank started to generate taxable income and expects to be able to compute it as a payment on account of income tax in future years. Recognition of this asset arises from the ability to generate sufficient taxable income in future years to absorb the asset before it expires. Management's determination of the likelihood that deferred tax assets can be realized is subjective, and involves estimates and assumptions about matters that are inherently uncertain. The realization of deferred tax assets arises from levels of future taxable income and the achievement of tax planning strategies.

Underlying estimates and assumptions can change over time, influencing its overall tax positions, as a result of unanticipated events or circumstances.

#### Deferred Income Tax

Argentine Banking GAAP requires income taxes to be recognized on the basis of amounts due in accordance with Argentine tax regulations. Temporary differences between the financial reporting and income tax bases of accounting are therefore not considered in recognizing income taxes.

In accordance with ASC 740-10, under U.S. GAAP income taxes are recognized on the liability method whereby deferred tax assets and liabilities are established for temporary differences between the financial reporting and tax bases of our assets and liabilities. Deferred tax assets are also recognized for tax loss carryforwards. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recorded or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment date. A valuation allowance is recognized for that component of net deferred tax assets which is "more likely than not" that it will not be recoverable.

Twelve- month periods ended June 30, 2015 and 2014

#### General

The following table sets forth the principal components of its net income for the twelve-month periods ended June 30, 2015 and 2014.

	Twelve-month period ended June 30,		% Change	
	2015	2014	2015/2014	
	(in millions of Pesos, except for percentages)			
Financial income	Ps. 5,524.0	Ps. 4,696.2	17.6	%
Financial expenses	(3,244.0)	(2,403.1)	35.0	%
Net financial income	Ps. 2,280.0	Ps. 2,293.1	-0.6	%
Provision for loan losses	(375.3 )	(303.3 )	23.7	%
Net contribution from insurance (1)	1,105.6	720.4	53.5	%
Other income from services	2,028.6	1,222.8	65.9	%
Other expenses for services	(619.0 )	(507.9 )	21.9	%
Administrative expenses	(3,366.9)	(2,340.8)	43.8	%
Net income from financial transactions	Ps. 1,053.0	Ps. 1,084.3	-2.9	%
Miscellaneous expenses, net (2)	(151.9 )	(99.2 )	53.2	%
Non-Controlling interest	13.7	11.0	23.8	%
Income tax	(377.6 )	(369.1 )	2.3	%
Net income	Ps. 537.2	Ps. 627.0	-14.3	%

(1) Insurance premiums minus insurance claims.

(2) Miscellaneous income minus miscellaneous expenses.

#### Net Income

Banco Hipotecario's net income for the twelve-month period ended June 30, 2015 of Ps. 537.2 million was lower than Ps. 627.0 for the twelve-month period ended June 30, 2014, principally due to:

- An increase in administrative expenses of Ps.1,026.1 million.
- An increase in financial expenditures of Ps.840.9 million.
- An increase in the provision for loan losses of Ps.72.0 million.
- An increase in miscellaneous expenses, net of Ps.52.7 million.

These factors were partially offset by:

- An increase in financial income of Ps.827.8 million.
- An increase in income from services, net of Ps.1,079.9 million.

## Financial Income

The following table sets forth the principal components of its financial income for the twelve-month periods ended June 30, 2015 and 2014.

	Twelve-month periods ended June 30,		% Change	
	2015	2014	2015/2014	
	(in millions of Pesos, except for percentages)			
Interests from:	Ps.	Ps.		
Mortgage loans and other financial transactions	413.0	353.8	16.7	%
Financial trusts	157.6	139.8	12.7	%
Cash and due from banks	6.3	12.2	-48.7	%
Interbank Loans	65.5	55.6	17.7	%
Other Loans	839.2	600.9	39.7	%
Credit card Loans	1,789.7	1,114.0	60.7	%
Personal Loans	839.8	609.1	37.9	%
Overdraft facilities	261.6	256.5	2.0	%
Government and Corporate Securities	1,016.6	774.8	31.2	%
Adjustment from application of CER clause	9.2	13.9	-33.4	%
Hedges	(69.1 )	634.2	-110.9	%
Others	194.6	131.4	48.3	%
Total Financial Income	Ps.5,524.0	Ps.4,696.2	17.6	%

Banco Hipotecario's financial income increase 17.6% to Ps. 5,524.0 million for the twelve-month period ended June 30, 2015 as compared to Ps. 4,696.2 million for the twelve-month period ended June 30, 2014 primarily as a result of:

- Higher income from credit cards and personal loans as a result of higher loans originations. The balances of credit card loans and personal loans have increased 29.9% and 42.9%, respectively, during the twelve-month period ended June 30, 2015.
- Higher income from other loans because of higher average balances
- Higher income from and government and corporate securities, mainly due to higher market prices. Additionally, the balances of government and corporate securities has increased 55.3% during the twelve-month period ended June 30, 2015.
- Lower income from hedge operations.

## Financial Expenses

The following table sets forth information regarding its financial expenses for the twelve-month periods ended June 30, 2015 and 2014.

	Twelve-month periods ended June 30,		% Change	
	2015	2014	2015/2014	



(in millions of Pesos, except for percentages)

Bonds and similar obligations	Ps.726.2	Ps.462.0	57.2	%
Borrowings from banks	77.2	95.0	-18.8	%
Other(*)	2.5	1.5	60.0	%
Time deposits	1,866.7	1,294.3	44.2	%
Effects of changes in exchange rates	59.5	139.9	-57.5	%
Forward transactions	69.1	70.7	-2.2	%
Contributions and taxes on financial income	442.8	339.7	30.4	%
Total Financial expenses	Ps. 3,244.0	Ps. 2,403.1	35.0	%

(\*)Includes interest and other amounts payable on savings accounts, checking accounts, and other deposits.

Banco Hipotecario's financial expenses for the twelve-month period ended June 30, 2015 increased 35.0% to Ps. 3,244.0 million from Ps. 2,403.1 million for the twelve-month period ended June 30, 2014 primarily as a result of:

- Higher interest liabilities as a result of increased average balances on time deposits. The balances of time deposits increased 31.5%, during the twelve-month period ended June 30, 2015.
- Higher liabilities resulting from increased of contributions and taxes on financial income.
- Higher interest liabilities resulting from increase of Bonds and similar obligations as consequences of higher average balances. The balances of bonds increased 43.6%, during the twelve-month period ended June 30, 2015.

## Provision for Loan Losses

The following table sets forth its provision for loan losses for the twelve-month periods ended June 30, 2015 and 2014.

	Twelve-month periods ended June 30,		% Change	
	2015	2014	2015/2014	
	(in millions of Pesos, except for percentages)			
Provision for loan losses	Ps.375.3	Ps.303.3	23.7	%
Charge-offs	Ps,201.1	Ps.125.9	59.8	%

Banco Hipotecario's provision for loan losses for the period ended June 30, 2015 increased to Ps. 375.3 million from Ps. 303.3 million in the period ended on June 30, 2014. This represents an increase of 23.7% which is connected with an increase in the average balances of loans. As mentioned before, the increase in the portfolio of loans, principally credit cards, personal loans and other loans, increase the amount of allowances during the year.

The Risk and Credit Committee decided to maintain a maximum 100% coverage of the loan loss reserve, relative to the total amount of those loans classified as non-performing, Reserves and funds created by Risk and Credit Committee dated June 2, 2008, (Ex - Section 13 of Law 24,143) and the Special fund created by a resolution of the board of Directors of the Bank dated December 12, 2001, shall not be included in the total amount used for calculating such coverage.

## Net Contribution from Insurance

The following table sets forth the principal components of its net contribution from insurance for the twelve-month periods ended June 30, 2015 and 2014.

	Twelve-month periods ended June 30		% Change	
	2015	2014	2015/2014	
	(in millions of Pesos, except for percentages)			
<b>Insurance premiums earned</b>				
Life	Ps. 17.1	Ps.26.7	-36.1	%
Property damage	16.0	16.3	-2.0	%
Unemployment	0.2	0.3	-35.5	%
Others (a)	1,222.2	851.8	43.5	%
Total Premiums earned	Ps.1,255.5	Ps.895.1	40.3	%
<b>Insurance claims</b>				
Life	Ps.3.5	Ps.5.0	-28.6	%
Property damage	0.1	0.2	-31.2	%
Others (b)	146.3	169.5	-13.6	%
Total claims	Ps.149.9	Ps.174.7	-14.2	%

Net contribution from insurance activity	Ps. 1,105.6	Ps. 720.4	53.5	%
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(a) As of June 30, 2015 and 2014 contains Ps. 1,132.8 million and Ps.792.1 million, respectively, related to the activity of its subsidiary BHN Sociedad de Inversión S.A. As mentioned before, BHN Sociedad Inversion has increased their activity regarding the rise in the origination of loans granted by Banco Hipotecario and the rise in the origination of Mortgage loans granted by PROCREAR.

(b) As of June 30, 2015 and 2014 contains Ps. 145.7 million and Ps.169.0 million, respectively, related to the activity of its subsidiary BHN Sociedad de Inversión S.A.

Banco Hipotecario's net contribution from insurance activities of Ps.1,105.6 million during the period ended June 30, 2015 increased 53.5% from Ps.720.4 million, compared to the period ended June 30, 2014. This increase was primarily a consequence of higher activity level of our subsidiary BHN Sociedad de Inversión S.A. The quantity of the insurance policies, issued by BHN Sociedad de Inversión S.A.'s subsidiaries, relate to the loan originated by Banco Hipotecario, consequently, the premiums earned and the claims paid increase when the loan origination of the Bank increases.

## Other Income from Services

The following table includes the principal components of its other income from services for the twelve-month periods ended June 30, 2015 and 2014.

	Twelve-month periods ended June 30,		% Change 2015/2014	
	2015	2014		
	(in millions of Pesos, except for percentages)			
Loan servicing fees from third parties	Ps.37.2	Ps.30.9	20.7	%
Credit Card Commissions	1,048.9	705.1	48.7	%
Other Commissions	209.2	130.6	60.2	%
Total Commissions	Ps.1,295.3	Ps.866.6	49.5	%
Commissions earned by subsidiaries	600.0	285.7	110.0	%
Recovery of loan expenses	19.5	37.3	-47.6	%
Income from services PROCREAR	106.6	30.9	244.5	%
Others	7.2	2.3	219.9	%
Total Others	Ps.733.3	Ps.356.2	105.9	%
Total Other Income from Services	Ps.2,028.6	Ps.1,222.8	65.9	%

Banco Hipotecario's income from services increased to Ps.2,028.6 million for the period ended June 30, 2015 from Ps.1,222.8 million in the same period of 2014, as a result of: higher commissions derived from the increase in credit card origination, the increase on commissions derived from the insurance's activity developed by Banco Hipotecario's subsidiary BHN Sociedad de Inversión S.A. and the increase in fees due to our activities as trustee for the PROCREAR trust.

## Other Expenses for Services

The following table includes the principal components of its other expenses for services for the twelve-month periods ended June 30, 2015 and 2014:

	Twelve-month periods ended June 30,		% Change 2015/2014	
	2015	2014		
	(in millions of Pesos, except for percentages)			
Structuring and underwriting fees	Ps.16.5	Ps.14.3	15.5	%
Retail Bank originations	7.7	6.3	21.5	%
Collections	0.2	0.2	13.8	%
Banking services	452.2	373.4	21.1	%
Co branding Aerolíneas Argentinas	27.3	11.4	139.8	%
Commissions paid to real estate agents	36.7	40.7	-9.8	%
Total Commissions	Ps.540.6	Ps.446.3	21.1	%

Contributions and taxes on income from services	78.4	61.6	27.2	%
Total Other expenses for services	Ps.619.0	Ps.507.9	21.9	%

Banco Hipotecario's other expenses for services increased 21.9% to Ps.619.0 million for the period ended June 30, 2015 from Ps.507.9 million in the period ended June 30, 2014. This increase was mainly due to higher banking services and contributions and taxes on income from services.

#### Administrative Expenses

The following table sets forth the principal components of its administrative expenses for the twelve-month periods ended June 30, 2015 and 2014.

	Twelve-month periods ended June 30,		% Change 2015/2014	%
	2015	2014		
	(in millions of Pesos, except for percentages)			
Salaries and social security contributions	Ps. 1,775.5	Ps. 1,284.8	38.2	%
Fees and external administrative services	472.5	329.7	43.3	%
Advertising and publicity	179.5	118.3	51.8	%
Value added tax and other taxes	167.2	113.9	46.8	%
Electricity and communications	116.9	71.9	62.5	%
Maintenance and repair	96.8	54.0	79.4	%
Depreciation of bank premises and equipment	35.3	21.0	68.0	%
Amortization of organizational expenses	75.8	41.3	83.5	%
Corporate personnel benefits	132.8	121.8	9.0	%
Rent	97.5	69.8	39.7	%
Others	217.1	114.3	90.0	%
Total	Ps. 3,366.9	Ps. 2,340.8	43.8	%

Administrative expenses for the period ended June 30, 2015 increased 43.8% to Ps.3,366.9 million from Ps.2,340.8 million for the period ended June 30, 2014. The main reasons for this increase were higher salaries and social security contributions required under applicable regulations in Argentina and higher fees and external administrative services related to actions adopted by the Bank in developing its retail banking business.

## Miscellaneous Expenses, net

The following table sets forth its miscellaneous income for the twelve-month periods ended June 30, 2015 and 2014.

	Twelve-month periods ended June 30,		% Change	
	2015	2014	2015/2014	
	(in millions of Pesos, except for percentages)			
Penalty interest	Ps.86.9	Ps.59.3	46.5	%
Reversal of provision for loan losses	77.5	15.4		NM
Loan loss recoveries	94.2	66.7	41.3	%
Others	58.9	47.5	23.8	%
<b>Total Miscellaneous Income</b>	<b>Ps.317.5</b>	<b>Ps.188.9</b>	<b>68.1</b>	<b>%</b>
Provision for lawsuits contingencies	Ps.19.2	Ps.29.4	34.6	%
Provision for other contingencies and miscellaneous receivables	-	7.4	-100.0	%
Provision for administrative organization	84.0	11.2		NM
Other taxes	124.6	26.3		NM
Benefits prepayments	70.5	71.3	-1.2	%
Others	171.1	142.5	20.1	%
<b>Total Miscellaneous Expenses</b>	<b>Ps.469.4</b>	<b>Ps.288.1</b>	<b>63.0</b>	<b>%</b>
<b>Total Miscellaneous Expenses, net</b>	<b>Ps.(151.9)</b>	<b>Ps.(99.2)</b>	<b>53.3</b>	<b>%</b>

Banco Hipotecario's miscellaneous expenses, net, decreased 53.3% to an expense of Ps.151.9 million for the period ended June 30, 2015 from an expense of Ps.99.2 million for the period ended June 30, 2014 primarily as a result of:

- Higher provision for administrative organization
- Higher other miscellaneous expenses related to penalties imposed in the framework of Financial Summary Proceedings N° 1320

These factors were partially offset by:

- Higher penalty interest and reversal of provision for contingencies.

## Government and Corporate securities

Government and Corporate Securities held by Banco Hipotecario consist of the following balances:

	June 30, 2015 (in millions of Pesos)
<b>Holding booked at fair value</b>	
Government securities denominated in Pesos	Ps. 1,581.4
Government securities denominated in US\$	340.1
Bills issued by Provincial Governments denominated in Pesos	297.1
Bills issued by Provincial Governments denominated in US\$	7.1
	Ps. 2,225.7
<b>Holding booked at cost plus return</b>	
Bills issued by Provincial Governments denominated in Pesos	66.9
Bills issued by Provincial Governments denominated in US\$	125.9
	Ps. 192.8
<b>Investment in listed corporate securities</b>	
Corporate securities denominated in Pesos	430.9
	Ps. 430.9
<b>Securities issued by the BCRA</b>	
Quoted bills and notes issued by the BCRA	672.2
Unquoted bills and notes issued by the BCRA	1,750.0
	Ps. 2,422.2
<b>Total</b>	<b>Ps. 5,271.6</b>

The table below includes disclosures regarding the exposures to sovereign debt according with the guidance provided by the Division of Corporation Finance in their document CF Disclosure Guidance: Topic N° 4.

	June 30, 2015 (in millions of Pesos)
<b>Government Securities by country:</b>	
Argentina	5,271.6
	5,271.6
<b>Government Securities by counterparty:</b>	
Government securities	2,418.5
Central Bank bills and notes	2,422.2
Corporate securities	430.9
	5,271.6

Government Securities by Financial Instruments in accordance with Argentine Banking GAAP:	
Recorded at fair value	3,328.8
Recorded at cost plus return	1,942.8
	5,271.6

## Funding

Historically, Banco Hipotecario financed its lending operations mainly through:

- deposits, principally time deposits
- the issuance of fixed and floating rate securities in the national capital markets,
- securitizations of mortgage loans,
- cash flow from existing loans,

At June 30, 2015 and 2014, Banco Hipotecario had three principal funding sources: bonds, securitizations programs and time deposits. The table below sets forth its liabilities outstanding with respect to each of its sources of funding (excluding accret interest) as of the dates indicated.

	At June 30,		% Change	
	2015	2014	2015/2014	
	(in millions of Pesos, except for percentages)			
Bonds	Ps. 4,926.7	Ps. 3,501.7	40.7	%
Subordinated Bonds	100.0	-		NM
Borrowings from Argentina Central Bank.	0.1	0.1	42.0	%
Borrowings from banks and international entities	297.4	558.4	-46.8	%
Deposits	18,191.2	13,691.3	32.9	%
Total	Ps. 23,515.4	Ps. 17,751.5	32.5	%



## Bonds

The principal amount values of the different series of notes Banco Hipotecario has issued and outstanding as of June 30, 2015 is as follows:

	Outstanding principal amount (millions of Pesos)	Date of issue	Maturity Date	Annual Interest rate  (%)
<b>Banco Hipotecario</b>				
Series 5 (US\$ 250,000,000)	1,914.5	Apr 27, 2006	Apr 27, 2016	9.75%
Series XII (US\$ 44,508,000)	359.0	Aug 14, 2013	Aug 14, 2017	3.95%
Series XIV (Ps.115,400,000)	115.4	Nov 11, 2013	Nov 11, 2015	Badlar + 375bp
Series XVI (Ps.89,683,000)	89.7	Jan 31, 2014	Jan 31, 2016	Badlar + 425bp
Series XIX (Ps.275,830,000)	275.8	May 16, 2014	Nov 16, 2015	Badlar + 375bp
Series XXI (Ps.222,345,000)	222.3	Jul 30, 2014	Jan 30, 2016	Badlar + 275bp
Series XXII (Ps.253,152,000)	253.2	Nov 5, 2014	Aug 5, 2015	LEBAC x 0.95
Series XXIII (Ps.119,386,000)	119.4	Nov 5, 2014	May 5, 2016	Badlar + 325bp
Series XXIV (Ps.27,505,000)	27.5	Feb 5, 2015	Jan 31, 2016	LEBAC x 0.95
Series XXV (Ps.308,300,000)	298.5	Feb 5, 2015	Aug 5, 2016	9 months 27.5%, and after Badlar + 450 bp
Series XXVII (Ps.281,740,000)	260.1	May 22, 2015	Nov 22, 2016	9 months 28.0%, and after Badlar + 450 bp
<b>BACS Banco de Crédito y Securitización S.A.</b>				
Series I (Ps.130,435,000)	130.4	Feb 19, 2014	Aug 19, 2015	Badlar +450bp
Series III (Ps.132,726,000)	132.7	19-Ago-14	19-May-16	Badlar + 275 bp
Series IV (Ps.105,555,000)	105.6	21-Nov-14	21-Ago-16	Badlar + 350 bp
Series V (Ps.150,000,000)	150.0	17-Abr-15	17-Ene-17	

9  
months  
27.48%,  
and afer  
Badlar +  
450 bp

Tarshop S.A.

				Badlar +
Series XI (Ps.10,837,187)	10.8	May 23, 2013	May 23, 2016	580bp
Series XII (Ps.83,588,235)	83.1	Aug 09, 2013	Aug 09, 2015	15%
				Badlar +
Series XV (Ps.119,755,000)	114.0	Apr 21, 2014	Oct 21, 2015	490bp
				LEBAC
Series XVII (Ps.41,065,777)	40.8	Nov 26, 2014	Aug 26, 2015	x 0.95
				Badlar +
Series XVIII (Ps.69,290,713)	68.9	Nov 26, 2014	May 26, 2016	425 bp
				Badlar +
Series XIX (Ps.6,315,789)	6.3	Nov 26, 2014	Nov 26, 2017	525 bp
Series XX (Ps.69,100,000)	68.7	Apr 24, 2015	Jan 24, 2016	27.50%
Series XXI (Ps.80,500,000)	80.0	Apr 24, 2015	Oct 24, 2016	28.50%
	Ps. 4,926.7			

### Loan Securitization Program

Banco Hipotecario, BACS and Tarshop have executed various financial trust agreements under which, as trustor, it has transferred the fiduciary ownership of mortgage and consumer loans to the loan portfolio of different financial institutions as trustee. Once the loans have been transferred to the trust fund it proceeds to issue the corresponding debt securities and participation certificates and to use the proceeds of the placement thereof for setting the amount of the loans transferred by Banco Hipotecario.

The trustee is responsible for the management of the trust funds previously set up in accordance with the specifications contained in the trust agreement.

### Deposits

Banco Hipotecario did not historically rely upon deposits as a principal source of funding, as it was engaged in limited deposit taking activities. Its other deposits consisted of checking accounts maintained by different provincial housing funds and agencies representing Argentine government contributions from the collection of federal taxes which have been set aside for use by the provinces for special purposes and transferred to these accounts.

In December 2001 Banco Hipotecario received authorization from the Central Bank to accept time deposits for individuals as well as institutions and amended its bylaws accordingly, with approval of a majority of its shareholders as required by Argentine Corporate Law. At June 30, 2015 and 2014 its total deposits consisted of the following:

	At June 30,		%Change	
	2015	2014	2015/2014	
	(in millions of Pesos, except for percentages)			
Checking accounts	Ps. 3,151.3	Ps. 2,800.9	12.5	%
Saving accounts	2,953.1	1,662.4	77.6	%
Time deposits	11,898.2	9,049.6	31.5	%
Other deposits accounts	188.6	178.4	5.7	%
Accrued interest payable	237.6	215.9	10.1	%
Total	Ps. 18,428.8	Ps. 13,907.2	32.5	%

Its current strategy is to increase deposits significantly over time in order to achieve significant liquidity to maintain and further develop its financing activities.

Twelve month periods ended June 30, 2014 and 2013

## General

The following table sets forth the principal components of its net income for the twelve-month periods ended June 30, 2014 and 2013.

	Twelve-month period ended June 30,		% Change	
	2014	2013	2014/2013	
	(in millions of Pesos, except for percentages)			
Financial income	Ps. 4,696.2	Ps. 2,424.2	93.7	%
Financial expenses	(2,403.1)	(1,284.3)	87.1	%
Net financial income	Ps. 2,293.1	Ps. 1,139.9	101.2	%
Provision for loan losses	(303.3 )	(233.4 )	30.0	%
Net contribution from insurance (1)	720.4	359.8	100.2	%
Other income from services	1,222.8	977.6	25.1	%
Other expenses for services	(507.9 )	(233.3 )	117.7	%
Administrative expenses	(2,340.8)	(1,612.2)	45.2	%
Net income from financial transactions	Ps. 1,084.3	Ps. 398.4	172.2	%
Miscellaneous income, net (2)	(99.2 )	31.4		NM
Non-Controlling interest	11.0	(14.1 )		NM
Income tax	(369.1 )	(76.5 )		NM
Net income	Ps. 627.0	Ps. 339.1	84.9	%

(1) Insurance premiums minus insurance claims.

(2) Miscellaneous income minus miscellaneous expenses.

## Net Income

Banco Hipotecario's net income for the twelve-month period ended June 30, 2014 of Ps.627.0 million was higher than Ps.339.1 for the twelve-month period ended June 30, 2013, principally due to:

- Higher financial income principally as a result of an increase on consumer products partially and higher income from government and private securities.
- Higher income from services mainly due to increase in credit card commissions, and the increase in the activity developed by BHN Sociedad de Inversión S.A.

These factors were partially offset by:

- Higher administrative expenses mainly related to salaries, social security contributions, and fees related to actions adopted by the Bank in developing its retail banking business.
- Higher financial expenditures principally as a result of higher interest liabilities resulting from increased average balances of time deposits and bonds and similar obligations.

## Financial Income

The following table sets forth the principal components of its financial income for the twelve-month periods ended June 30, 2014 and 2013.

Twelve-month period  
ended June 30,                      % Change  
2014              2013              2014/2013  
(in millions of Pesos, except for  
percentages)

Interests from:				
	2014	2013	% Change	
Mortgage loans and other financial transactions	Ps.353.8	Ps.264.3	33.8	%
Financial trusts	139.8	134.2	4.2	%
Cash and due from banks	12.2	6.9	76.5	%
Interbank Loans	55.6	49.8	11.6	%
Other Loans	600.9	321.3	87.0	%
Credit card Loans	1,114.0	649.3	71.6	%
Personal Loans	609.1	371.1	64.2	%
Overdraft facilities	256.5	168.8	52.0	%
Government and Corporate Securities	774.8	285.9	171.0	%
Adjustment from application of CER clause	13.9	8.3	67.0	%
Hedges	634.2	95.3		NM
Others	131.4	69.0	90.3	%
Total Financial Income	Ps.4,696.2	Ps.2,424.2	93.7	%

Banco Hipotecario's financial income increase 93.7% to Ps.4,696.2 million for the twelve-month period ended June 30, 2014 as compared to Ps.2,424.2 million for the twelve-month period ended June 30, 2013 primarily as a result of:

- Higher income from credit cards and personal loans as a result of higher loans originations. The balances of credit card loans and personal loans have increased 46.4% and 51.0%, respectively, during the twelve-month period ended June 30, 2014.
- Higher income from other loans because of higher average balances
- Higher income from hedge operations and government and corporate securities, mainly due to higher market prices.

#### Financial Expenses

The following table sets forth information regarding its financial expenses for the twelve-month periods ended June 30, 2014 and 2013.

	Twelve-month periods ended June 30,		% Change	
	2014	2013	2014/2013	
	(in millions of Pesos, except for percentages)			
Bonds and similar obligations	Ps.462.0	Ps.267.2	72.9	%
Borrowings from banks	95.0	50.0	90.1	%
Borrowings from Argentina Central Bank	-	0.1	-100.0	%
Other(1)	1.5	1.8	-19.5	%
Time deposits	1,294.3	677.6	91.0	%
Effects of changes in exchange rates	139.9	93.2	50.2	%
Forward transactions	70.7	30.6	131.0	%
Contributions and taxes on financial income	339.7	163.8	107.4	%
Total Financial expenses	Ps.2,403.1	Ps.1,284.3	87.1	%

(1)Includes interest and other amounts payable on savings accounts, checking accounts, and other deposits.

Banco Hipotecario's financial expenses for the twelve-month period ended June 30, 2014 increased 87.1% to Ps.2,403.1 million from Ps.1,284.3 million for the twelve-month period ended June 30, 2013 primarily as a result of:

- 1) Higher interest liabilities as a result of increased average balances on time deposits. The balances of time deposits increased 54.2%, during the twelve-month period ended June 30, 2014.
- 2) Higher liabilities resulting from increased of contributions and taxes on financial income.
- 3) Higher interest liabilities resulting from increase of bonds and similar obligations as consequences of higher average balances. The balances of bonds increased 52.8%, during the twelve-month period ended June 30, 2014.

#### Provision for Loan Losses

The following table sets forth its provision for loan losses for the twelve-month periods ended June 30, 2014 and 2013.

	Twelve-month periods ended June 30,		% Change	
	2014	2013	2014/2013	
	(in millions of Pesos, except for percentages)			
Provision for loan losses	Ps.303.3	Ps.233.4	30.0	%
Charge-offs	Ps.125.9	Ps.74.2	69.7	%

Banco Hipotecario's provision for loan losses for the period ended June 30, 2014 increased to Ps.303.3 million from Ps.233.4 million in the period ended on June 30, 2013. This represents an increase of 30.0% which is connected with an increase in the average balances of loans. As mentioned before, the increase in the portfolio of loans, principally credit cards, personal loans and other loans, increase the amount of allowances during the year.

The Risk and Credit Committee decided to maintain a maximum 100% coverage of the loan loss reserve, relative to the total amount of those loans classified as non-performing, Reserves and funds created by Risk and Credit Committee dated June 2, 2008, (Ex - Section 13 of Law 24,143) and the Special fund created by a resolution of the board of Directors of the Bank dated December 12, 2001, shall not be included in the total amount used for calculating such coverage.

## Net Contribution from Insurance

The following table sets forth the principal components of its net contribution from insurance for the twelve-month periods ended June 30, 2014 and 2013.

	Twelve-month periods ended June 30			% Change 2014/2013
	2014	2013		
(in millions of Pesos, except for percentages)				
<b>Insurance premiums earned</b>				
Life	Ps.26.7	Ps.43.9	-39.2	%
Property damage	16.3	18.4	-11.5	%
Unemployment	0.3	0.4	-33.1	%
Others (a)	851.8	354.7	140.2	%
<b>Total Premiums earned</b>	<b>Ps.895.1</b>	<b>Ps.417.4</b>	<b>114.5</b>	<b>%</b>
<b>Insurance claims</b>				
Life	Ps.5.0	Ps.4.7	5.1	%
Property damage	0.2	0.3	-37.9	%
Unemployment	-	-	NM	
Others (b)	169.5	52.6	223.7	%
<b>Total claims</b>	<b>Ps.174.7</b>	<b>Ps.57.6</b>	<b>203.9</b>	<b>%</b>
<b>Net contribution from insurance activity</b>	<b>Ps.720.4</b>	<b>Ps.359.8</b>	<b>100.1</b>	<b>%</b>

(a) As of June 30, 2014 and 2013 contains Ps.792.1 million and Ps.316.2 million, respectively, related to the activity of its subsidiary BHN Sociedad de Inversión S.A.

As of June 30, 2014 and 2013 contains Ps.169.0 million and Ps.51.2 million, respectively, related to the activity of its subsidiary BHN Sociedad de Inversión S.A. As mentioned before, BHN Sociedad Inversion has increased their activity regarding the rise in the origination of loans granted by Banco Hipotecario and the rise in the origination of Mortgage loans granted by Pro.cre.ar..

Banco Hipotecario's net contribution from insurance activities of Ps.720.1 million during the period ended June 30, 2014 increased 100.1% from Ps.359.8 million, compared to the period ended June 30, 2013. This increase was primarily a consequence of higher activity level of our subsidiary BHN Sociedad de Inversión S.A. The quantity of the insurance policies, issued by BHN Sociedad de Inversión S.A.' subsidiaries, relate to the loan originated by Banco Hipotecario, consequently, the premiums earned and the claims paid increase when the loan origination of the Bank increases.

## Other Income from Services

The following table includes the principal components of its other income from services for the twelve-month periods ended June 30, 2014 and 2013.



Twelve-month periods  
ended June 30, % Change  
2014 2013 2014/2013  
(in millions of Pesos, except for  
percentages)

Loan servicing fees from third parties	Ps.30.9	Ps.26.5	16.2	%
FONAVI commissions	-	11.4	-100	%
Credit Card Commissions	705.1	555.1	27.0	%
Other Commissions	130.6	77.2	69.2	%
<b>Total Commissions</b>	<b>Ps.866.6</b>	<b>Ps.670.2</b>	<b>29.3</b>	<b>%</b>
<b>Commissions earned by subsidiaries</b>	<b>285.7</b>	<b>226.9</b>	<b>25.9</b>	<b>%</b>
Recovery of loan expenses	37.3	68.7	-45.7	%
Others	33.2	11.8	181.7	%
<b>Total Others</b>	<b>Ps.356.2</b>	<b>Ps.307.4</b>	<b>15.9</b>	<b>%</b>
<b>Total Other Income from Services</b>	<b>Ps.1,222.8</b>	<b>Ps.977.6</b>	<b>25.1</b>	<b>%</b>

Banco Hipotecario's income from services increased to Ps.1,222.8 million for the period ended June 30, 2014 from Ps.977.6 million in the same period of 2013, as a result of higher commissions derived from the increase in credit card origination and the increase on commissions derived from the insurance's activity developed since July 2007 by Banco Hipotecario's subsidiary BHN Sociedad de Inversión S.A.

#### Other Expenses for Services

The following table includes the principal components of its other expenses for services for the twelve-month periods ended June 30, 2014 and 2013:

	Twelve-month periods ended June 30, % Change 2014 2013 2014/2013 (in millions of Pesos, except for percentages)			
Structuring and underwriting fees	Ps.14.3	Ps.8.2	74.4	%
Retail Bank originations	6.3	2.0		NM
Collections	0.2	0.2	26.6	%
Banking services	384.8	155.4	147.6	%
Commissions paid to real estate agents	40.7	28.3	43.6	%
<b>Total Commissions</b>	<b>446.3</b>	<b>194.1</b>	<b>130.0</b>	<b>%</b>
<b>Contributions and taxes on income from services</b>	<b>61.6</b>	<b>39.2</b>	<b>57.1</b>	<b>%</b>
<b>Total Other expenses for services</b>	<b>Ps.507.9</b>	<b>Ps.233.3</b>	<b>117.7</b>	<b>%</b>

Banco Hipotecario's other expenses for services increased 117.7% to Ps.507.9 million for the period ended June 30, 2014 from Ps.233.3 million in the period ended June 30, 2013. This increase was mainly due to higher banking services and contributions and taxes on income from services.



## Administrative Expenses

The following table sets forth the principal components of its administrative expenses for the twelve-month periods ended June 30, 2014 and 2013.

	Twelve-month periods ended June 30,		% Change 2014/2013	
	2014	2013		
	(in millions of Pesos, except for percentages)			
Salaries and social security contributions	Ps. 1,284.8	Ps. 845.0	52.1	%
Fees and external administrative services	329.7	221.2	49.0	%
Advertising and publicity	118.3	88.5	33.6	%
Value added tax and other taxes	113.9	115.4	-1.2	%
Electricity and communications	71.9	56.5	27.3	%
Maintenance and repair	54.0	37.2	45.2	%
Depreciation of bank premises and equipment	21.0	15.8	32.6	%
Amortization of organizational expenses	41.3	19.5	111.3	%
Corporate personnel benefits	121.8	43.8	178.2	%
Rent	69.8	49.9	39.8	%
Others	114.3	119.4	-4.3	%
Total	Ps. 2,340.8	Ps. 1,612.2	45.2	%

Administrative expenses for the period ended June 30, 2014 increased 45.2% to Ps.2,340.8 million from Ps.1,612.2 million for the period ended June 30, 2013. The main reasons for this increase were higher salaries and social security contributions required under applicable regulations in Argentina and higher fees and external administrative services related to actions adopted by the Bank in developing its retail banking business.

## Miscellaneous Expenses, net

The following table sets forth its miscellaneous expenses for the twelve-month periods ended June 30, 2014 and 2013.

	Twelve-month Periods ended June 30,		% Change 2014/2013	
	2014	2013		
	(in millions of Pesos, except for percentages)			
Penalty interest	Ps. 59.3	Ps. 54.8	8.1	%
Reversal of provision for loan losses	15.4	9.7	58.5	%
Loan loss recoveries	66.7	91.1	-26.8	%
Others	47.5	37.7	25.9	%
Total Miscellaneous Income	Ps. 188.9	Ps. 193.3	-2.3	%
Provision for lawsuits contingencies	Ps. 29.4	Ps. 18.9	55.2	%
Provision for other contingencies and miscellaneous receivables	7.4	0.9	NM	
Provision for administrative organization	11.2	-1.7	NM	
Other taxes	26.3	26.3	72.3	%

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Benefits prepayments	71.3	71.3	-10.7	%
Others	142.5	46.3		NM
Total Miscellaneous Expenses	Ps.288.1	Ps.162.0	77.7	%
Total Miscellaneous Expenses, net	Ps.(99.2 )	Ps.31.4		NM

Banco Hipotecario's miscellaneous income decreased 2.3% to Ps.188.9 million for the period ended June 30, 2014 from Ps.193.3 million for the year ended June 30, 2013 primarily as a result of higher penalty interest and higher other miscellaneous income, partially offset by lower loan loss recoveries.

Banco Hipotecario's miscellaneous expenses increased 77.7% to Ps.288.1 million for the period ended June 30, 2014 from Ps.162.0 million for 2013 primarily as a result of higher provisions for administrative organizations and higher other miscellaneous expenses.

Government and Corporate securities

Government and Corporate Securities held by the Bank consist of the following balances:

	June 30, 2014 (in millions of Pesos)
Holding booked at fair value	
Government securities denominated in Pesos	439.8
Government securities denominated in US\$	844.0
	Ps. 1,283.8
Holding booked at cost plus return	
Discount Bonds	13.5
PRO XIII Bonds	15.8
Other Bonds	39.5
	Ps. 68.8
Investment in listed corporate securities	
Corporate securities denominated in Pesos	345.6
	Ps. 345.6
Securities issued by the BCRA	
Quoted bills and notes issued by the BCRA	354.5
Unquoted bills and notes issued by the BCRA	1,342.5
	Ps. 1,697.0
Total	Ps. 3,395.2

The table below includes disclosures regarding the exposures to sovereign debt according with the guidance provided by the Division of Corporation Finance in their document CF Disclosure Guidance: Topic N° 4.

	June 30, 2014 (in millions of Pesos)
<b>Government Securities by country:</b>	
Argentina	3,395.2
	Ps. 3,395.2
<b>Government Securities by counterparty:</b>	
Government securities	1,352.6
Central Bank bills and notes	1,697.0
Corporate securities	345.6
	Ps. 3,395.2
<b>Government Securities by Financial Instruments in accordance with Argentine Banking GAAP:</b>	
Recorded at fair value	1,983.9
Recorded at cost plus return	1,411.3
	Ps. 3,395.2

Banco Hipotecario's Market Risk Management Policy addresses the guidelines and methodologies for monitoring and controlling the Bank's price, interest rate and foreign exchange rate risks; this policy also deals with reporting mechanisms, limits and early alert systems to keep the Finance Committee and Senior Management abreast of new developments in the risk profile. Furthermore, this policy defines the roles and responsibilities of the various parties involved.

- Banco Hipotecario's portfolios of securities are monitored on a daily basis and risk is quantified through globally accepted methodologies and practices ("value at risk") whose limits are fixed by the Finance Committee. The robustness of the models used is verified through back-testing procedures and the portfolio exposed to price risks is subject to stress testing.
- As regards the foreign exchange rate risk, exposure to foreign exchange and its associated risk is described in a weekly report that details the different products and securities exposed.
- As regards interest rate risk, the amounts and contractual conditions of new originations and of the current portfolio (i.e., loans, deposits, swaps, hedges, securities and other) are monitored to ensure that Banco Hipotecario is permanently within the limits of its pre-defined risk appetite. This follow up is accompanied by an ongoing analysis of the various hedging alternatives in order to reduce interest rate balances.

Interest rate risk is quantified through two statistical methodological approaches: "Net financial revenues at risk" and "Economic Value at Risk". Net financial revenues at risk assesses deviations in interest income caused by changes in interest rates whilst Economic Value at Risk analyzes the potential impairment of the portfolio's present value as a result of potential ups and downs in the time structure of interest rates. These two approaches also include the "base risk" that arises from imperfect correlations in the adjustment of lending and borrowing rates for securities with similar revaluation features. To supplement these two approaches, mismatch analyses are conducted (gap by interval and accumulated gap) both in Pesos and in Dollars to quantify exposure to interest rate in different future dates and various sensitivity analyses.

## Funding

Historically, Banco Hipotecario financed its lending operations mainly through:

- deposits, principally time deposits
- the issuance of fixed and floating rate securities in the national capital markets,
- securitizations of mortgage loans,
- cash flow from existing loans,

At June 30, 2014 and 2013, Banco Hipotecario had three principal funding sources(1): bonds, securitizations programs and time deposits. The table below sets forth its liabilities outstanding with respect to each of its sources of funding as of the dates indicated.

	At June 30,		% Change	
	2014	2013	2014/2013	
	(in millions of Pesos, except for percentages)			
Bonds	Ps. 3,501.7	Ps. 2,291.7	52.8	%
Borrowings from Argentina Central Bank.	0.1	-		NM
Borrowings from banks and international entities	558.4	393.0	42.1	%
Deposits	13,691.3	8,899.2	53.8	%
Total	Ps. 17,751.5	Ps. 11,583.9	53.2	%

(1) Excludes accrued interest.

#### Bonds

The principal amount values of the different series of notes Banco Hipotecario has issued and outstanding as of June 30, 2014 is as follows:

	Outstanding principal amount (millions of Pesos)	Date of issue	Maturity Date	Annual Interest rate (%)
<b>Banco Hipotecario S.A.</b>				
Series 5 (US\$ 250,000 thousand)	1,709.8	Apr. 27, 2006	Apr. 27, 2016	9.750%
Series IX (Ps.258,997)	202.4	Apr 25, 2013	Jan 25, 2015	Badlar +280bp
Series X (Ps.34,523)	32.5	Aug 14, 2013	Aug 09, 2014	22.00%
Series XI (Ps.146,137)	131.0	Aug 14, 2013	May 14, 2015	Badlar +375bp
Series XII (US\$ 44,508 thousand)	362.0	Aug 14, 2013	Aug 14, 2017	3.95%
Series XIII (Ps.55,510)	55.6	Nov 11, 2013	Nov 06, 2014	23.50%
Series XIV (Ps.115,400)	115.4	Nov 11, 2013	Nov 11, 2015	Badlar +375bp
Series XV (Ps.12,340)	12.3	Jan 31, 2014	Jan 26, 2015	27.00%
Series XVI (Ps.89,683)	89.7	Jan 31, 2014	Jan 31, 2016	Badlar +425bp
Series XVIII (Ps.20,046)	20.0	May 16, 2014	Feb 16, 2015	27.00%
Series XIX (Ps.275,830)	270.0	May 16, 2014	Nov 16, 2015	Badlar +375bp
<b>BACS Banco de Crédito y Securitización S.A.</b>				
Series I (Ps.130,435)	126.3	Feb 19, 2014	Aug 19, 2015	Badlar +450bp
<b>Tarshop S.A.</b>				
Long term bond Series VIII (Ps.79,589)	74.0	Jan 28, 2013	Jul 30, 2014	Badlar+445bp
Long term bond Series X (Ps.72,592)	70.6	May 23, 2013	Nov 23, 2014	Badlar+475bp
Long term bond Series XI (Ps.10,837)	9.7	May 23, 2013	May 23, 2016	Badlar+580bp
Long term bond Series XII (Ps.83,588)	74.8	Aug 09, 2013	Aug 09, 2015	15.00%
Long term bond Series XIV (Ps.30,245)	28.4	Apr 21, 2014	Jan 21, 2015	30.00%
Long term bond Series XV (Ps.119,755)	117.2	Apr 21, 2014	Oct 21, 2015	Badlar+490bp
	Ps. 3,501.7			

### Loan Securitization Program

The Bank, BACS Banco de Crédito y Securitización S.A. and Tarshop S.A. have executed various financial trust agreements under which, as trustor, it has transferred the fiduciary ownership of mortgage and consumer loans to the loan portfolio of different financial institutions as trustee. Once the loans have been transferred to the trust fund it proceeds to issue the corresponding debt securities and participation certificates and to use the proceeds of the placement thereof for setting the amount of the loans ceded by the Bank.

The trustee is responsible for the management of the trust funds previously set up in accordance with the specifications contained in the trust agreement.

### Deposits

Banco Hipotecario SA did not historically rely upon deposits as a principal source of funding, as it was engaged in limited deposit taking activities. Its other deposits consisted of checking accounts maintained by different provincial housing funds and agencies representing Argentine government contributions from the collection of federal taxes which have been set aside for use by the provinces for special purposes and transferred to these accounts.

In December 2001 Banco Hipotecario SA received authorization from the Central Bank to accept time deposits for individuals as well as institutions and amended its bylaws accordingly, with approval of a majority of its shareholders as required by Argentine Corporate Law. At June 30, 2014 and 2013 its total deposits consisted of the following:

	At June 30,		%Change	
	2014	2013	2014/2013	
	(in millions of Pesos, except for percentages)			
Checking accounts	Ps. 2,800.9	Ps. 1,689.8	65.8	%
Saving accounts	1,662.4	1,225.6	35.6	%
Time deposits	9,049.6	5,870.2	54.2	%
Other deposits accounts	178.4	113.6	57.0	%
Accrued interest payable	215.9	78.9	173.5	%
Total	Ps. 13,907.2	Ps. 8,978.1	54.9	%



Its current strategy is to increase deposits significantly over time in order to achieve significant liquidity to maintain and further develop its financing activities.

## 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, 2015, we had negative working capital of Ps. 783.2 million (calculated as current assets less current liabilities as of such date). At the same date, we had cash and cash equivalents totaling Ps. 375.2 million, a decrease of Ps. 234.7 million compared to the Ps. 609.9 million of cash and cash equivalents held as of June 30, 2014.

We believe our working capital (calculated by subtracting current liabilities from current assets) and our cash from operating activities are adequate for our present and future requirements. In the event that cash generated from our operations is at any time insufficient to finance our working capital, we would seek to finance such working capital needs throughout debt financing or equity issuance or through the sale of selective assets. For more information about our liquidity please see “Item 3(d) Risk Factors” and “Recent Developments”.

On September 10, 2015, IRSA Commercial Properties closed the sale to an unrelated third party of 5,963 square meters in the Interncontinental Plaza Building. The purchase price was Ps. 324.5 million, which has been fully paid. For more information see "Recent Development".

On September 18, 2015 IRSA Commercial Properties issued Series I Notes in an aggregate principal amount of Ps.407.3 million. Series I Notes have a maturity of 18 months from its issue date. In addition, on October 16, 2015 we filed to CNV the updated document of the Global Note Program for up to US\$ 300,000,000.

On November 6, 2015, we closed the sale to an unrelated third party of 864 square meters of Maipú 1300 Building, that represent two floors of office space, and 4 parking units. After such sale, 2,134 square feet remain in our

portfolio. The purchase price was US\$ 3 million, which has been fully paid.

The table below shows our cash flow for the fiscal years ended June 30, 2015, 2014 and 2013:

	Year ended June 30,		
	2015	2014	2013
	(in millions of Ps.)		
Net cash flow generated by operations	833.9	1,022.0	863.4
Net cash flow used in investment activities	261.3	(917.1 )	(45.9 )
Net cash flow used in financing activities	(1,389.7)	(596.8 )	(306.3)
Net (decrease) increase in cash and cash equivalents	(294.5 )	(491.9 )	511.2

#### Cash Flow Information

##### Operating Activities

##### Fiscal Year ended June 30, 2015

Our operating activities generated net cash inflows of Ps. 833.9 million, mainly due to operating income of Ps. 1,419.0 million, an increase in salaries and social security charges of Ps. 21.8 million and an increase in trade and other account payables of Ps. 232.8 million; which were partially offset by an increase in trade and other receivables of Ps. 400.1 and Ps. 429.5 million related to income tax paid.

Fiscal Year ended June 30, 2014

Our operating activities generated net cash inflows of Ps. 1,022.0 million for the fiscal year ended June 30, 2014, mainly due to operating income of Ps. 1,362.2 million, an increase in salaries and social security charges of Ps. 50.9 million and a decrease in trading properties of Ps. 5.7 million; which were partially offset by an increase in trade and other receivables of Ps. 14.1 million, a decrease in provisions of Ps. 2.0 million, a decrease in trade and other account payables of Ps. 103.8 million and Ps. 276.3 million related to income tax paid.

Fiscal Year ended June 30, 2013

Our operating activities resulted in net cash inflows of Ps. 863.4 million for the fiscal year ended June 30, 2013, primarily as a result of operating income of Ps. 1,000.9 million, an increase in trade and other account payables of Ps. 189.9 million, an increase in salaries and social security charges of Ps. 12.6 million and a decrease in trading properties of Ps. 4.5 million. These were partially offset by an increase in trade and other receivables of Ps. 63.2 million, an increase in restricted assets of Ps. 0.1 million, a decrease in provisions of Ps. 2.9 million and income tax paid of Ps. 277.6 million.

Investment Activities

Fiscal Year ended June 30, 2015

Our investing activities resulted in net cash inflows of Ps. 261.3 million for the fiscal year ended June 30, 2015, of which (i) Ps. 2,446.7 million were related to collection from the sale of investment properties and (ii) Ps. 55.8 million were related to the sale of interests in companies: Ps. 16.4 million were related to the sale of Avenida Inc. and Ps. 39.4 million were related to the sale of Bitania 26 S.A., partially offset by (iii) Ps. 1,231.0 million representing a 25% increase in IDBD's share interest over its stock capital, (iv) Ps. 407.4 million related to the acquisition of investment properties and (v) Ps. 594.4 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. 917.1 million for the fiscal year ended June 30, 2014, of which (i) Ps. 1,102.7 million were related to the purchase of a 53.33% equity interest in IDB Development Corporation Ltd.'s capital stock, representing 106.6 million common shares, (ii) Ps. 13.0 million were related to the acquisition of a 24.79% equity interest in Avenida Inc.'s capital stock, (iii) Ps. 16.1 million were related to the acquisition of 1,250,000 common shares of Condor Hospitality Trust, (iv) Ps. 317.7 million were related to the purchase of fixed assets and land reserves (for further information see "Capital Expenditures"), (v) Ps. 1,533.3 million were related to the acquisition of investments in financial assets, (vi) Ps. 2.1 million were related to loans granted, (vii) Ps. 20.1 million were related to capital contributions in associates and joint ventures and (viii) Ps. 10.2 million were related to interest received; partly offset by (i) Ps. 16.9 million related to collection of dividends, (ii) Ps. 1,647.7 million related to proceeds from sale of investments in financial assets, (iii) Ps. 402.1 million related to the sale of investment properties and (iv) Ps. 22.8 million related to collection from the sale of Canteras Natal S.A's shareholding, representing 50% of such company's capital stock.

Fiscal Year ended June 30, 2013

Our investing activities resulted in net cash outflows of Ps. 45.9 million for the fiscal year ended June 30, 2013, of which (i) Ps. 117.9 million were related to the purchase of additional 25.5% equity interest in Rigby 183 LLC's capital stock, (ii) Ps. 25.9 million were related to the acquisition of a 50% equity interest in the capital stock and voting power of Entertainment Holdings S.A., (iii) Ps. 239.7 million were related to the acquisition of fixed assets and land

reserves (for further information see “Capital Expenditures”), (iv) Ps. 950.9 million were related to the acquisition of investments in financial assets, (v) Ps. 41.6 million were related to loans granted, (vi) Ps. 67.4 million were related to capital contributions in associates and joint ventures and (vii) Ps. 18.4 million were related to interest received; partly offset by (i) Ps. 54.2 million related to collection of dividends, (ii) Ps. 1,197.2 million related to proceeds from sale of investments in financial assets and (iii) Ps. 127.7 million related to collection from the sale of investment properties.

#### Financing Activities

##### Fiscal Year ended June 30, 2015

Our financing activities for the fiscal year ended June 30, 2015 resulted in net cash outflows of Ps. 1,389.7 million, mainly due to (i) the payment of loans of Ps. 963.9 million, (ii) the payment of loans for the purchase of companies of Ps. 105.9 million, (iii) the payment of interest on short-term and long-term debt of Ps. 546.9 million, (vi) capital distributions of Ps. 228.1 million, (vii) Ps. 110.8 million related to the acquisition of derivative financial instruments, (viii) Ps. 69.2 million related to dividend distributions; partially offset by (ix) borrowings for Ps. 606.3 million, (x) payment of borrowings from associates and joint ventures of Ps. 22.2 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. 596.8 million, mainly due to (i) the payment of interest on short-term and long-term debt of Ps. 414.9 million, (ii) the payment of loans of Ps. 446.2 million, (iii) dividend payments of Ps. 113.3 million, (iv) the payment of financed purchases of Ps. 1.9 million, (v) capital distributions of Ps. 4.2 million, (vi) the acquisition of non-controlling interest in subsidiaries of Ps. 1.2 million, (vii) payment of loans from associates and joint ventures of Ps. 188.9 million, (viii) the payment of principal on notes of Ps. 287.2 million, (ix) the acquisition of derivative financial instruments of Ps. 38.0 million and (x) the repurchase of common shares and GDS issued by the Company of Ps. 37.9 million, partially offset by (i) borrowings of Ps. 501.8 million, (ii) capital contributions by non-controlling interest of Ps. 139.0 million, (iii) Ps. 17.2 million related to borrowings from associates and joint ventures, (iv) Ps. 62.2 million related to derivative financial instruments and (v) Ps. 218.3 million related to the issuance of non-convertible notes.

##### Fiscal Year ended June 30, 2013

Our financing activities resulted in net cash outflows of Ps. 306.3 million for the fiscal year ended June 30, 2013, mainly due to (i) Ps. 269.8 million related to payment of interest on short-term and long-term debt, (ii) Ps. 206.4 million related to the payment of loans; (iii) Ps. 239.7 million related to dividend payments, (iv) Ps. 10.9 million related to payment of financed purchases, and (v) Ps. 152.1 million related to capital distributions and (vi) Ps. 4.1 million related to the acquisition of non-controlling interest in subsidiaries; partially offset by (i) borrowings of Ps. 646.8 million, (ii) Ps. 6.5 million related to capital contributions by non-controlling interest, (iii) Ps. 70.7 million related to borrowings from associates and joint ventures and (iv) the payment of principal on notes of Ps. 146.2 million.

## Indebtedness

The following table sets forth the scheduled maturities of our outstanding debt as of June 30, 2015:

	Less than 1 Currency year (4)	More than 1 and up to 2 years	More than up to 3 years	More than 2 and up to 3 years	More than 4 years	More than Total (1)	Annual Average Interest Rate %
(In thousands of Pesos, constant currency, as of June 30, 2014)(2)							
Bank loans (3)	\$ 687,406	5,846	2,312	-	-	695,564	20.2%
Banco Provincia de Buenos Aires loan	\$ 106,469	-	-	-	-	106,469	22.51%
Other loans	NIS 15,089	-	-	-	-	15,089	N/A
IRSA Commercial Properties' 2017 Notes for US\$ 120 M (2)	US\$ 10,677	1,025,376	-	-	-	1,036,053	7.88%
IRSA's 2015 Notes (Serie I)	\$ 214,084	-	-	-	-	214,084	Badlar + 395ptos
IRSA's 2017 Notes (2)	US\$ 47,318	1,352,655	-	-	-	1,399,973	8.50%
IRSA's 2017 Notes	\$ 258	10,730	-	-	-	10,988	Badlar + 450 ptos
IRSA's 2020 Notes (2)	US\$ 64,795	-	-	-	1,244,990	1,309,785	11.50%
Related Party	\$ 1,633	2,249	-	-	-	3,882	15.25%
Related Party	\$ 4,388	3,500	1,750	-	-	9,638	24%
Related Party	\$ 7,826	-	-	-	-	7,826	Badlar + 300
Related Party	\$ -	14,438	-	-	-	14,438	Badlar
Syndicated loans	\$ 75,485	-	-	-	-	75,485	15.30%
Seller financing (2)	US\$ -	-	-	-	21,271	21,271	N/A
Seller financing (2)	US\$ -	-	-	-	49,688	49,688	3.50%
Financial Leases (2)	US\$ 1,512	612	611	-	-	2,735	from 7.14% a 13.28%
Total bank and other debt	1,236,940	2,415,406	4,673	0	1,315,949	4,972,968	

(1) Figures may not sum due to rounding.

(2) Exchange rate as of June 30, 2015  
US\$1.00 =

Ps. 9,088,  
R\$ 1.00 =  
Ps.2.93 and  
NIS 1.00 =  
Ps.  
2.4072.93  
and NIS  
1.00 = Ps.  
2.407  
(3)  
Includes  
bank  
overdrafts.  
(4) Includes  
accrued  
interest.

#### Issuance of Notes

##### 8.5% Series I Notes due 2017

Under our US\$ 400.0 million Global Note Program, on February 2, 2007, we issued fixed-rate notes due in 2017 for an aggregate amount of up to US\$ 150.0 million, which accrue interest at an annual interest rate of 8.5% payable semi-annually and which mature in a single installment on February 2, 2017.

We will be able to incur in new debts only if financial ratio “coverage of consolidated interest” is higher than 1.75. The coverage of consolidated interest ratio is defined as consolidated EBITDA divided by consolidated interest expense, subject to certain adjustments. EBITDA is defined as operating income plus, depreciation and amortization and considering other consolidated non-cash charges.

These notes also contain a covenant limiting our ability to pay dividends which may not exceed the sum of:

- 50% of the cumulative consolidated net income; or
- 75% of the cumulative consolidated net income if the consolidated interest coverage ratio for the most recent four consecutive fiscal quarters is at least 3.0 to 1; or
- 100% of the cumulative consolidated net income if the consolidated interest coverage ratio for the most recent four consecutive fiscal quarters is at least 4.0 to 1; plus
- 100% of the aggregate net cash proceeds (with certain exceptions) and the fair market value of property other than cash received by the Company or by its restricted subsidiaries from (a) any contribution to the Company’s capital stock or the capital stock of its restricted subsidiaries or issuance and sale of the Company’s qualified capital stock or the qualified capital stock of its restricted subsidiaries subsequent to the issue of the Company’s notes due 2017, or (b) issuance and sale subsequent to the issuance of the company’s notes due 2017 or its indebtedness or the indebtedness of its restricted subsidiaries that has been converted into or exchanged for qualified capital stock of the Company, (c) any kind of reduction in the Company’s indebtedness or the indebtedness of any of its restricted subsidiaries; or (d) any kind of reduction in investments in debt certificates (other than permitted investments) and in the return on assets; or (e) any distribution received from an unrestricted subsidiary.

##### 11.5% Series II Notes due 2020

Under our US\$ 400 million Global Note Program, on July 20, 2010, we issued fixed-rate notes due in 2020 for an aggregate amount of US\$ 150.0 million, which accrue interest at an annual interest rate of 11.5% payable semi-annually and which mature in a single installment on July 20, 2020.

Series II notes are subject to the same covenants as described above for Series I notes due 2017.

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#### Series V and VI Notes

On February 26, 2014, we issued Series V and VI Notes for a principal amount of Ps. 220.2 million under our US\$ 300 million Program approved by the Shareholders' Meeting.

Series V Notes were issued for a principal amount of Ps. 209.4 million, fall due 18 months after their issue date, and accrue interest at a variable rate (BADLAR private rate + 395 basis points). Interest is payable on a quarterly basis. The principal amount will be repayable in a single installment upon maturity, and falls due 18 months after their issue date. On August 26, 2015, the principal amount was fully repaid.

Series VI Notes were issued for a principal amount of Ps. 10.8 million, fall due 36 months after their issue date, and accrue interest at a variable rate (BADLAR private rate + 450 basis points). Interest is payable on a quarterly basis. The principal amount will be repayable in a single installment upon maturity, and falls due 36 months after their issue date.

#### Series I Notes (IRSA Commercial Properties)

On May 11, 2007, IRSA Commercial Properties issued Series I notes due 2017 for a principal amount of US\$ 120 million, and accrue interest at a fixed rate of 7.875% per annum, payable on a quarterly basis. These notes mature on May 11, 2017.

#### Other Indebtedness

##### Hoteles Argentinos Loan

On December 26, 2013, Hoteles Argentinos S.A. ("HASA"), IRSA's subsidiary, agreed upon a loan with Banco Hipotecario for an amount of Ps. 5.0 million, under the credit line for productive investment provided under Communication "A" 5449 of the Central Bank. The loan accrues interest at a fixed rate of 15.25%, with interest payable on a monthly basis, and matures 36 months after the disbursement date. There is a grace period of one year for the repayment of the principal amount, after which the principal is repayable in 24 monthly consecutive installments.

##### Llao Llao Loan

On December 23, 2013, Llao Llao Resorts S.A. ("Llao LLao"), IRSA's subsidiary, agreed upon a loan with Banco Hipotecario for an amount of Ps. 4.0 million, under the credit line for productive investment provided under Communication "A" 5449 of the Central Bank. The loan accrues interest at a fixed rate of 15.25%, with interest payable on a monthly basis, and matures 36 months after the disbursement date. There is a grace period of one year for the repayment of the principal amount, after which the principal is repayable in 24 monthly consecutive installments.

##### Nuevas Fronteras Loan

On December 30, 2014, Nuevas Fronteras S.A. ("Nuevas Fronteras"), IRSA's subsidiary, agreed upon a loan with Banco Hipotecario for Ps. 7.0 million, under the credit line for production investment described in Communication "A" 5600 issued by the Central Bank. The loan accrues interest at a fixed rate of 24.0% during the first twelve months and at a variable rate (corrected Badlar + 50 bps) during the remaining twenty-four months, payable monthly and it is due 36 months after the disbursement date. Principal is subject to one-year grace period and then it is payable in 24 consecutive monthly installments.

##### Arcos Syndicated Loan (IRSA Commercial Properties)



On November 16, 2012, IRSA Commercial Properties agreed upon a syndicated loan with local banks in the amount of Ps. 118 million, under the credit line for production investment described in Communication “A” 5319 issued by the Central Bank. The loan accrues interest at a fixed rate of 15.01%, payable monthly and it is due 36 months after the disbursement date. Principal is subject to one-year grace period and then it is payable in nine consecutive quarterly installments.

Bank Loans Communication 5319(IRSA Commercial Properties)

On December 12, 2012 IRSA Commercial Properties agreed upon a loan with Banco de la Provincia de Buenos Aires for Ps. 29.0 million, under the credit facility for production investment described in Communication “A” 5319 issued by the Central Bank. The loan accrues interest at a fixed rate of 15.01%, payable monthly and it is due 36 months after the disbursement date. Principal is subject to a 9-month grace period and then it will be repaid in 9 consecutive quarterly installments.

Neuquén Syndicated Loan (IRSA Commercial Properties)

On June 12, 2013, IRSA Commercial Properties executed a syndicated loan with local banks in the amount of Ps. 111 million, under the credit facility for production investment described in Communication “A” 5380 issued by the Central Bank. The loan accrues interest at a fixed rate of 15.25%, payable monthly and it is due 36 months after the disbursement date. Principal is subject to a one-year grace period and then it will be repaid in 9 consecutive quarterly installments.

Capex Citibank 5449 – Other Loans (IRSA Commercial Properties)

On December 23, 2013, IRSA Commercial Properties agreed upon a loan with the Citibank N.A. local branch for an aggregate amount of Ps. 5.9 million, under the credit facility for production Investment described in Communication “A” 5449 issued by the Central Bank. The loan accrues interest at a fixed rate of 15.25%, payable quarterly and it is due 39 months after the disbursement date. Principal is subject to a one-year grace period and then it will be repaid in 9 consecutive quarterly installments.

Capex Citibank 5449 – Other Loans (IRSA Commercial Properties)

On December 30, 2014, IRSA Commercial Properties agreed upon a loan with the Citibank N.A. local branch for an aggregate amount of Ps. 10.3 million, under the credit facility for production Investment described in Communication “A” 5620 issued by the Central Bank. The loan accrues interest at a fixed rate of 26.50%, payable quarterly and it is due 36 months after the disbursement date. Principal is subject to a one-year grace period and then it will be repaid in 9 consecutive quarterly installments.

Nuevo Puerto Santa Fe Loan (IRSA Commercial Properties)

On December 26, 2013, NPSF, IRSA Commercial Properties’ subsidiary, executed a loan agreement with Banco Hipotecario for an aggregate amount of Ps. 10.0 million, under the credit facility for production investment described in Communication “A” 5449 issued by the Central Bank. The loan accrues interest at a fixed rate of 15.25%, payable monthly and it is due 36 months after the disbursement date. Principal is subject to a one-year grace period and then it will be repaid in 24 consecutive monthly installments.

Soleil Debt (IRSA Commercial Properties)

On December 28, 2007, as a result of the purchase of Soleil plot of land, an agreement was executed with INCSA for the purpose of financing a balance price in the amount of US\$ 12.6 million. Such loan accrues interest at a fixed rate of 5%, payable on annual basis. Principal shall be repaid when due on June 30, 2017.

This financing agreement was prepaid in whole on August 22, 2014.

Bank Overdrafts

In the ordinary course of our business, we enter into overdraft facilities, which are generally short-term loans under which we can draw down loaned funds for up to certain credit limits. As of June 30, 2015 we have Ps. 685.6 million in overdrafts with local banks, over Ps. 695.6 million of bank loans.

Issuance of Series I Notes

On September 18, 2015 we issued Series I Notes under our Global Note Program in an aggregate principal amount of Ps.407,260,000. Series I Notes have a maturity of 18 months from its issue date, and will bear a mixed interest rate of 26.5% per year during the first three months, and Private Badlar Rate (Tasa Badlar Privada) plus 400 bps per year during the remaining period, payable on a quarterly basis. For more information please see “Recent Developments”.

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 consolidated Financial Statements. All of our interests and/or relationships with our subsidiaries or controlled entities on a joint basis are recorded in our consolidated Financial Statements.

B. 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.

C. Trend Information

## Development and Perspectives of Shopping Centers in Argentina

### International Outlook

As reported by the International Monetary Fund (“IMF”) in its “World Economic Outlook” (“WEO”), global activity increased by 3.4% in 2014, and world growth is expected to reach 3.5% in 2015 and 3.8% in 2016. From 2015 to 2016, developed economies are expected to grow at values a bit in excess of 2%, driven by the growth in the United States of 3.1%, and in the Euro area, of 1.5%.

Emerging and developing economies have recorded growth rates similar to those seen last year, and they are expected to grow 4.3% and 4.7% by the end of 2015 and 2016. The recovery of developed economies should have a positive impact on trade, although it could be lessened by lower commodity prices.

During 2013 and 2014, the financial markets generally continued their pickup after their lower performance of 2011. The MSCI World index showed strong recovery during 2013, and a less strong recovery during 2014. On the other hand, the MSCI Emerging Markets index follows a negative trend since 2013. The continued currency stimulation programs in the world, led mainly by the FED, have brought most of the upsurge in the developed markets.

### Argentine economy

Argentine growth forecasts were revised down again as compared to those of last year. The IMF reduced its projection for 2014 to 0.5% and projected a slight contraction for 2015 of 0.3%. This correction was mainly due to the deteriorated external financing conditions.

Consumption remained as the main driver of economic activity, as shopping center and supermarket sales grew at rates of 33.3% and 26.1%, respectively, comparing May 2015 and the same last year period.

According to INDEC the unemployment rate was at 6.9% of the economically active population, showing a slight increase of 0.3% on a year-on-year basis in December. In turn, nominal salaries increased 31.5% during the same period.

Compared to the same period of the previous year, industrial activity decreased by 1.3% during the first half of 2015 (removing the seasonal component). Car production fell 11.8% on year-on-year basis in July 2015, the same as car exports, which fell 21.1%.

Regarding the balance of payments, in the first quarter of 2015 the current account deficit reached US\$ 3,710 million, with US\$ 452 million allocated to the goods and services trade balance, and US\$ 3,231 million to the income account, which represents 72% of the foreign direct investment return.

During the second quarter of 2015, the financial account showed a surplus of US\$ 5,379 million resulting from net income from the non-financial public sector and the BCRA for US\$ 3,317 million, from the non-financial private sector for US\$ 1,196 million, and from the financial sector for US\$ 866 million.

The stock of international Reserves at the beginning of August 2015 stood at US\$ 33,915 million, accounting for an increase of 17.4%, compared to last year, and after the payment of the sovereign bond, BODEN 15, on October 3, 2015, the stock of foreign currency reserves was US\$ 27.7 billion.

Total gross external debt at the closing of March 2015 was estimated at US\$ 145,931 million, an increase of US\$ 1,840 million compared to the previous quarter.

The non-financial public sector and Central Bank debt for the quarter was estimated at US\$ 78,154 million, an increase of 243 million from the previous quarter. The Central Bank's liabilities increased by US\$ 2,320 million mainly explained by disbursements and new tranche capitalization of the swap with the Popular Republic of China. The government security and bond outstanding balance diminished by US\$ 1,702 million, mainly due to depreciation of the Euro with respect to the U.S. Dollar and to a lesser extent due to secondary market transactions.

The non-financial private debt for the quarter was estimated at US\$ 64,931 million, increasing by US\$ 1,390 million compared to the previous quarter.

The financial sector debt excluding the Central Bank was estimated at US\$ 2,846 million, showing an increase for the quarter of US\$ 207 million.

In connection with the fiscal sector, revenues recorded a year-on-year increase of 33.9% as of May 2015, whereas primary expenditure grew by 34.3%, slightly over the increase in revenues, and was mostly oriented to items related to the sustainment of domestic demand.

In local financial markets, the Private Badlar rate in Pesos ranged from 19% to 23% in the period from July 2014 to June 2015, averaging 20.47% in June 2015 against 22.03% in June 2014. The Central Bank continued with its controlled floating exchange rate policy: the Peso sustained a 11.7% nominal depreciation in the period from July 2014 to June 2015.

In the fiscal year herein analyzed, Argentina's country risk, measured as per the Emerging Market Bond Index, decreased by 93 basis points, maintaining a high spread vis-à-vis the rest of the countries in the region. The debt premium paid by Argentina was at 631 basis points in June 2015, compared to the 304 paid by Brazil and the 194 paid by Mexico.

#### Our Segments

Private consumption continues to be the driver of economic activity. The Consumer Confidence Index (CCI), that measures the purchasing expectations, prepared by the Center for Research in Finances (Centro de Investigación en Finanzas) of the School of Business of Universidad Torcuato Di Tella increased by 30.9% in June 2015 compared to the same month in 2014. The metric stood at the highest level since January 2012, and only 10% below the highest historical record in January 2007. The evolution of the Shopping Centers segment shows evidence thereof. Based on the information released by the Argentine Institute of Censuses and Statistics ("INDEC"), in June 2015 the sales at current prices –without removal of the seasonality component- reached a total amount of Ps. 3,669 million, which represented a 26.5% increase compared to the same month in 2014.

In relation to the office market, according to Colliers International, the A+ and A office inventory in the City of Buenos Aires remained stable during the second quarter of 2015 at 1,646,885 sqm. With regard to the vacancy rate, there was a slight decrease from 8.1% in the first quarter of the year to 7.4% during the second quarter. The A+ buildings show a vacancy rate of 6.5% (6.9% in the previous period) and class A properties showed a vacancy rate of 7.9%, 1.1pp lower than the 9% recorded in the first quarter of 2015.

In terms of available footage, the second quarter of 2015 ended with 120,248 sqm offered for rental, 78% of which is represented by the sub-markets Macrocentro Sur, Zona Norte GBA and Puerto Madero. Net absorption recorded in the second quarter of the year was 12,838 sqm. This value is mainly explained by the performance of class A properties, while during the quarter an aggregate footage of 10,128 sqm has been absorbed. If the geographic distribution of this absorption is analyzed, it can be seen that the sub-market Zona Norte GBA accounts for 69% of this total area. Such area is followed –far behind- by the sub-markets Microcentro and Puerto Madero (accounting for 20 and 18%, respectively). Conversely, in Plaza Roma a negative absorption of 1,105 sqm was recorded, mainly explained by the vacancy of 6 floors in Torre Bouchard. In turn, the sub-markets Macrocentro, Macrocentro Sur and Plaza San Martin did no record changes in absorption, i.e. no new spaces have been occupied or have become vacant in the properties comprising such stock.

Average rental price recorded an increase in the second quarter from US\$ 23.8 per square meter to US\$ 24.7 per square meter. Upon performing an analysis by building category, it is shown that the average rental price of those in the A+ segment is US\$ 26.3 per square meter (US\$ 25.5 per square meter in the previous period), while the average price of those in class A is US\$ 23.6 per square meter (US\$ 22.7 per square meter in the previous quarter). In turn, the

sub-market Macrocentro Norte is currently the market with the best prices in the market. The average value of the properties in such area amounts to US\$ 31.2 per square meter (vacancy rate 2.8%).

Late in 2015, four new office buildings are expected to be included in the office inventory with a total footage of 44,000 sqm. Two of them will be located in the Plaza San Martín sub-market and the remaining ones will be located in Zona Norte C.A.B.A. and Macrocentro Sur. It should be noted that 38% of this new area will be subject to the LEED sustainability standards.

#### D. Off-Balance Sheet Arrangements

As of June 30, 2015, 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, 2015:

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 thousands of Pesos)

As of June 30, 2015	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	447,353	10,737	2,799	326	-	461,215
Borrowings (excluding finance lease liabilities)	876,481	2,822,013	147,382	142,965	1,553,119	5,541,960
Finance leases	1,515	616	608	-	-	2,739
Derivative financial instruments	237,585	265,056	-	-	-	502,641
Total year	1,562,934	3,098,422	150,789	143,291	1,553,119	6,508,555

(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-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	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 Fischman	04/09/1960	Regular Director	2015	2018	2003
Fernando Rubín	06/20/1966	Regular Director	2013	2016	2004
Gary S. Gladstein	07/07/1944	Regular Director	2013	2016	2004
Mario Blejer	06/11/1948	Regular Director	2014	2017	2005
Mauricio 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	2007

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

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

Eduardo Sergio Elsztain. Mr. Elsztain studied Economic Sciences at Universidad de Buenos Aires. He has been engaged in the real estate business for more than twenty years. He is the Chairman of the Board of Directors of IRSA Commercial Properties, Consultores Assets Management S.A., Dolphin Netherlands, Arcos del Gourmet S.A., CRESUD, BACS, BrasilAgro Companhia Brasileira de Propiedades Agrícolas, Tarshop, E-Commerce Latina S.A., and Banco Hipotecario, among others. He is also Director of IDBD. 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. Mr. Zang is Chairman of Puerto Retiro S.A., vice-chairman of IRSA Commercial Properties, Fibesa S.A. and CRESUD, among others. He is also director of Banco Hipotecario, Nuevas Fronteras S.A., BrasilAgro Companhia Brasileira de Propiedades Agrícolas, BACS, Tarshop, and Palermo Invest S.A., among others.

Alejandro Gustavo Elsztain. Mr. Elsztain obtained a degree in agricultural engineering from Universidad de Buenos Aires. Currently he is Chairman of Fibesa S.A. and Cactus Argentina S.A., second vice-chairman of CRESUD, and Executive Vice-chairman of IRSA Commercial Properties. He is also Vice-chairman of Nuevas Fronteras S.A. and Hoteles Argentinos S.A. He is also Director of BrasilAgro Companhia Brasileira de Propiedades Agrícolas, Emprendimientos Recoleta S.A., 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 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.

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 (Moët 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.

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 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, among other companies. He was also External Counselor to the Currency Policy Council of the Central Bank of Mauritius and is Postgraduate professor at Torcuato Di Tella University.





Mauricio Wior. Mr. Wior obtained a master's degree in finance, as well as a bachelors' degree in economics and accounting from Tel Aviv University in Israel. Mr. Wior is currently a director of Ertach S.A. and Banco Hipotecario. 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 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, 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. 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 Abogados until June 2002, when he joined CRESUD as legal counsel.

Enrique Antonin. 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. He is Alternate Director of CRESUD.

#### Employment Contracts with our Directors

We do not have written contracts with our directors. However, Messrs. Eduardo Sergio Elsztain, Saúl Zang, Alejandro Gustavo Elsztain, Daniel Ricardo Elsztain, Fernando Elsztain, Fernando Rubín and Marcos Moisés Fishman are employed by our Company under the Labor Contract Law N° 20,744. In addition, our alternate director Gastón Armando Lernoud rendered services under the corporate services agreement. Law N° 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, Daniel Ricardo 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

The following table shows information about our current senior management:

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
David A. Perednik	11/15/1957	Chief Administrative Officer	2002
Matías I. Gaivironsky	02/23/1976	Chief Financial Officer	2011

The following is a description of each of our senior managers who are not directors:

David A. Perednik. Mr. Perednik obtained a degree in accounting from Universidad de Buenos Aires. He has worked for several companies such as Marifran Internacional S.A., a subsidiary of Louis Dreyfus Amateurs where he worked as chief financial officer from 1986 to 1997. He also worked as a senior consultant in the Administration and Systems Department of Deloitte & Touche from 1983 to 1986. He also serves as chief administrative officer of CRESUD and IRSA Commercial Properties.

Matías Iván Gaivironsky. Mr. Matías Gaivironsky obtained a degree in business administration at 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 Commercial Properties and the Company, and he has served as Chief Financial Officer since December 2011. In 2008 he served as Chief Financial Officer in Tarshop S.A. and was later appointed Manager of the Capital Markets and Investor Relations Division of CRESUD, IRSA Commercial Properties and the Company.

Javier E. Nahmod. Mr. Nahmod has served in various positions in IRSA Commercial Properties, Fibesa Sociedad Anónima and the Company. He owns a career of more than 15 years in the Company, having started in comercialization area, serving in different positions. He also served as Center Management of Abasto Shopping, Manager of Real State and Regional Manager of Shopping Centers. Since November 2014 he serves as Real State Manager in the Company.

#### 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-year term; the mandate lasts the duration of the period for which they are designated. The Supervisory Committee is composed of three regular members and three alternate members and pursuant to Section 294 of the Argentine Corporations Law N° 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 Commercial Properties, 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 Commercial Properties, 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 Commercial Properties, 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, IRSA Commercial Properties, 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., affiliated with 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.

## B. Compensation

### Directors

Under the Argentine Corporations Law, if the compensation of the members of the Board of Directors and the Supervisory Committee is not established in the by-laws of the Company, it should be determined by the shareholders' meeting. The maximum amount of total compensation to the members of the Board of Directors and the Supervisory Committee, including compensation for technical or administrative permanent activities, cannot exceed 25% of the earnings of the company. That amount should be limited to 5% when there is no distribution of dividends to shareholders and will be increased in proportion to the distribution up to such limit if all earnings are distributed. For purposes of applying this provision, the reduction in the distribution of dividends derived from reducing the Board of Directors' and Supervisory Committee's fees will not be considered.

When one or more directors perform special commissions or technical or administrative activities, and there are no earnings to distribute, or they are reduced, the shareholders meeting may approve compensation in excess of the above mentioned limits. The compensation of our directors for each fiscal year is determined pursuant to the Argentine Business 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 compensations to our Directors for 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 our overall results. The total and aggregate compensation paid to our Senior Management and Directors for the fiscal year ended June 30, 2015 was Ps. 6.1 million.

### 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.

### Compensation Plan for Executive Management

Since 2006 we develop a special compensation plan for key managers by means of contributions to be made by the employees and us (the "Plan").

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 created in Argentina as an investment fund approved by CNV.

The funds collected as a result of our contributions are transferred to another independent vehicle separate from the previous one. In the future, participants will have access to 100% of the benefits of the Plan (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.

#### Mid and Long Term Incentive Program

Our Shareholders' Meetings held on October 31, 2011, October 31, 2012, October 31, 2013 and November 14, 2014 ratified the resolutions approved thereat as regards the incentive plan for the our 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.

We developed a mid and long-term incentive and retention stock program for its management team and key employees and its controlled companies (including IRSA Commercial Properties) provided that have been invited to participate of the program under which contributions in our shares are made by the Company. The amount of shares contributed for each participant employee is determined on the basis of their annual bonus for years 2011, 2012, 2013 and 2014. We will use treasury shares to make the contributions under this program.

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 (Cresud'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

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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.

Regarding fiscal 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 Commercial Properties, PAMSA, ERSA, ARCOS and FIBESA who received IRSA's shares.

In addition, the Company has decided to grant a bonus to all the personnel with more than two years of seniority, at the date of June 30, 2014, 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 2011 has specifically decided to allocate to the program.

### 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 laid 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

As of June 30, 2015, we had 1,711 employees. Our Development and Sale of Properties and Other Non-Shopping Center Businesses segment had 34 employees, 6 of whom were represented by the Commerce Union (Sindicato de Empleados de Comercio, or SEC) and 10 were represented by the Horizontal Property Union (SUTERH). Our Shopping Centers segment had 973 employees, including 472 under collective labor agreements. Our Hotels segment had 704 employees, with 494 represented by the Tourism, Hotel and Gastronomic Workers Union (Unión de Trabajadores del Turismo, Hoteleros y Gastronómicos de la República Argentina, or UTHGRA).

The following table shows the number of employees in the different activities of the Company as of the dates stated below:

Year	Development and sale of properties and Office and other non-shopping center retail properties (1)	Shopping Centers	Hotels(2)	Total
As of June 30, 2013	91	787	662	1,540
As of June 30, 2014	89	872	647	1,608
As of June 30, 2015(3)	34	973	704	1,711

(1) Includes IRSA, Consorcio Libertador S.A. and Consorcio Maipú 1300 S.A.

(2) Includes Hotel Intercontinental, Sheraton Libertador and Liao Liao.

(3) During April and May 2015, the employees who were assigned to us, and used to be in charge of the building's operations and the real estate business, were transferred to IRSA Commercial Properties.

## 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, 2015.

Name	Position	Number of Shares	Percentage
<b>Directors</b>			
Eduardo Sergio Elsztain (1)	Chairman	372,113,311	64.3 %
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	-	-
Marcos Fischman	Regular Director	-	-
Fernando Rubín	Regular Director	64,226	0.0 %
Gary S. Gladstein	Regular Director	210,030	0.0 %
Mario Blejer	Regular Director	-	0.0 %
Mauricio 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	12,282	0.0 %
Enrique Antonini	Alternate Director	-	-
<b>Senior Management</b>			
Matias Gaivironsky	Chief Financial Officer	46,150	0.0 %
Javier Ezequiel Nahmod	Chief Real Estate Officer	26,494	0.0 %
David Alberto Perednik	Chief Administrative Officer	11,742	0.0 %
<b>Supervisory Committee</b>			
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) 372,112,411 common shares beneficially owned by Cresud, and (ii) 900 common shares owned directly by Mr. Eduardo S. Elsztain.

## 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.

Shareholder	Share Ownership as of June 30, 2015	
	Number of Shares	Percentage (3)
Cresud (1) (2)	372,113,311	64.3 %
Directors and officers (excluding Eduardo Elsztain)	1,139,652	0.2 %
ANSES	25,914,834	4.5 %
Total	399,167,797	69.0 %

- (1) Eduardo S. Elsztain is the beneficial owner of 187,772,805, which includes (i) 187,552,100 common shares beneficially owned by IFISA (ii) 880 common shares beneficially owned by Consultores Venture Capital, (iii) 219,825 beneficially owned by Eduardo Sergio Elsztain, representing 37.4% 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 64.3% of our common shares by virtue of his investment in Cresud.
- (2) Includes (i) 372,112,411 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 372,113,311 common shares, representing 64.3% of our outstanding common shares.
- (3) As of June 30, 2015, the number of outstanding common shares was 578,676,460.

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	June	June	June	June
	30,2015	30,2014	30,2013	30,2012	30,2011
	(%)	(%)	(%)	(%)	(%)
Cresud (1)	64.3	65.5	65.5	64.2	57.7
Inversiones Financieras del Sur S.A. (2)	-	0.5	0.6	1.7	-
D.E. Shaw & Co. Inc.	-	-	-	-	7.7
Directors and officers (3)	0.3	0.3	0.5	0.8	1.4

ANSES	4.5	4.5	4.5	4.5	4.5
Total	69.1	70.8	71.1	71.2	71.3

- (1) Eduardo S. Elsztain is the beneficial owner of 187,772,805 common shares of Cresud, representing 37.4% 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 64.3% 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, 2015, 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, 2015, our total issued capital stock outstanding consisted of 578,676,460 common shares. As of June 30, 2015, there were approximately 35,682,237 Global Depository Shares (representing 356,822,367 of our common shares, or 61.7% of all of our outstanding common shares) held in the United States by approximately 68 registered holders.

#### B. Related Party Transactions

##### Credit line with Cyrsa

On August 27 2012, Cyrsa granted us and Cyrela, individual credit lines for a maximum amount of Ps. 190 million, each, maturing in February 2017. Daily interest accrued on each disbursed amount was based on the Badlar Privada interest Rate.

##### Donations to Fundación IRSA and Fundación Museo de los Niños

Fundación IRSA is a charitable, non-profit organization whose Chairman is Eduardo S. Elsztain and whose Secretary is Mariana Carmona de Elsztain, Mr. Elsztain's wife. On October 1997, IRSA Commercial Properties granted Fundación IRSA the right to use 3,800 square meters of constructed area in the Abasto Shopping Center free of charge for a 30-year period.

Fundación Museo de los Niños is a charitable non-profit organization established by the same founders of Fundación IRSA and run by the same members of the administration committee as Fundación IRSA. Fundación Museo de los Niños acts as special vehicle for the development of Museo de los Niños, Abasto and Museo de los Niños, Rosario. In November 2005, IRSA Commercial Properties granted Fundación Museo de los Niños the right to use approximately 2,670 square meters of constructed area in the Shopping Rosario free of charge for a 30-year period.

Fundación IRSA has used the available area of 3,732 to house a museum called "Museo de los Niños, Abasto," an interactive learning center for children and adults, which opened to the public in April 1999. On September 27, 1999, Fundación IRSA assigned and transferred at no cost, the entirety of Museo de los Niños, as well as Abasto's rights and obligations to Fundación Museo de los Niños.

In October 1999, IRSA Commercial Properties approved the assignment of Museo de los Niños, Abasto's agreement to Fundación Museo de los Niños. In addition, on December 12, 2005, an agreement granting the right to use of the space designated for Museo de los Niños, Rosario, at no cost, was signed.

During the fiscal years ended June 30, 2013, 2014 and 2015, we made donations to Fundación IRSA and Fundación Museo de los Niños for a total amount of Ps. 1.4 million, Ps. 3.2million and Ps. 1.7 million, respectively.

##### Lease of our Chairman's offices

Our headquarters are located at Bolívar 108, 1 floor, City of Buenos Aires. We have leased this property from Isaac Elsztain e Hijos S.C.A., a company controlled by certain relatives of Eduardo S. Elsztain, our chairman, and also from Hamonet S.A., a company controlled by Fernando A. Elsztain, one of our Directors, and certain of his relatives.

A lease agreement was executed among us, IRSA, Cresud and Isaac Elsztain e Hijos S.C.A., in March 2004, which is due in March 2017 and has a monthly rent of US\$5 thousands, which is distributed and shared equally among the three companies..

In April 1, 2014, we, Cresud, IRSA Commercial Properties and Hamonet S.A. entered into a lease agreement for the lease of the executive offices located in 108 Bolívar St., 3rd and 4th floors, City of Buenos Aires. This lease has a term of 36 months and rent of US\$ 5.001 per month, which is distributed and shared equally among the three companies.



## Lease Agreements

Our administrative headquarters are located at Intercontinental Plaza Building, located at 877 Moreno St. in the Autonomous City of Buenos Aires, which belongs to IRSA Commercial Properties since December 2014. For more information about the acquisition of the Intercontinental Plaza Building, see Item 4.A. History and Development of the Company. We lease part of the 24 floor of the Intercontinental Plaza Building, on a lease that extends up to December, 2017. The monthly rent is US\$7.7 thousands plus maintenance fees and the applicable taxes and charges in proportion to the leased space. Additionally, Cresud leases part of the second, 22 and 24 floors. This lease extends up to June, 2016, January 2017 and August, 2017. The monthly rent is US\$26.4 thousands plus maintenance fees and the applicable taxes and charges in proportion to the leased space.

In addition we lease from IRSA Commercial Properties a space in the Abasto shopping center. The agreements are valid until November, 2015 and September, 2016. The monthly rent is US\$19.0 thousands, plus a fixed amount for common expenses.

Tarshop, leases from IRSA Commercial Properties three floors and certain parking lot spaces of our building located at 652 Suipacha St. The term of this lease extends up to 2017. The monthly rent is US\$52.1 thousands plus maintenance fees and the applicable taxes and charges in proportion to the leased space.

Llao Llao Resorts S.A. rents from us a floor on our Maipú 1300 building. This lease shall last until August, 2015 and has a monthly rent of US\$ 1,950 plus any common expenses, taxes and fees, the parties are currently negotiating its extension.

Fibesa S.A. leases from IRSA Commercial Properties part of a floor in the Intercontinental Plaza Building, located in 877 Moreno St., of the Autonomous City of Buenos Aires, for a monthly rent of US\$11.6 thousands plus maintenance fees, in proportion to the lease space. This agreement extends up to October, 2017.

BACS, leases from IRSA Commercial Properties a floor in the República Building, located in 1 Tucuman St., of the Autonomous City of Buenos Aires, for a monthly average rent of US\$20.9 thousands plus maintenance fees, in proportion to the lease space. This agreement extends up to October, 2017.

BHN Sociedad de Inversión S.A., BHN Seguros Generales S.A. and BHN Visa S.A., lease from IRSA Commercial Properties a floor in the República Building, located in 1 Tucuman St., of the Autonomous City of Buenos Aires, for a monthly rent of US\$ 26.5 thousands plus maintenance fees, in proportion to the lease space. This agreement extends up to September, 2016.

Master agreement for U.S. Dollar-denominated forward transactions with Banco Hipotecario.

We entered into a master agreement for the performance of dollar-denominated forward transactions with Banco Hipotecario. This master agreement provides that the parties may carry out this type of transactions by fixing a certain forward price (the "Agreed Price"). Such transactions are settled in cash by paying the difference between the Agreed Price and the quoted price of the U.S. Dollar on the settlement date. As of June 30, 2015 we have not derivative financial instruments from Banco Hipotecario.

Loan agreements with Banco Hipotecario.

As of June 30, 2015 we have received loans from Banco Hipotecario for a total amount of approximately Ps. 29.3 million, which include credit facility for production investment (not includes bank overdrafts), with an average interest rate of 17.3%, for more information, please see "Liquidity and Capital Resources Exchange Rates and

Exchange Controls - Indebtedness". We believe that each of these loans was made by Banco Hipotecario in the ordinary course of its consumer credit business, is of a type generally made available by Banco Hipotecario to the public and was made on market terms.

#### Credit line granted to IRSA

In November 2012, IRSA Commercial Properties and us entered into an agreement by which IRSA Commercial Properties granted a credit line for up to US\$ 14.5 million for a period of one year at a rate of 5.5% to us. In November 2013, the credit line was renewed and in April 2014, was extended for up to a total amount of US\$ 20 million.

On June 25, 2014, we have extended the credit line, for up to US\$ 60 million, due June 2015, at the rate of Libor 1 year + 3.0%. Additionally, the parties involved in the agreement were modified, including IRSA Commercial Properties and any of its subsidiaries as lenders and Tyrus and us as borrowers. As of the date of this annual report the total amount granted from us to IRSA amounts to US\$49.5 million.

Consequently, as of June 30, 2014, disbursements were made from ERSA to Tyrus of US\$ 2.6 million, from us to Tyrus of US\$ 10.6 million, and from Pamsa to Tyrus of US\$ 10.2 million. As of June 30, 2015 the amounts described above were cancelled.

#### Credit line Inversiones Financieras del Sur S.A.

In June 2014, we, through our subsidiary, Real Estate Investment Group IV LP, renewed a credit line with Inversiones Financieras del Sur S.A. for an amount of up to 1.4 million shares of Hersha Hospitality Trust. The transaction was set for 30 days renewable for up to 360 calendar days and with an annual interest rate of Libor 3 months plus 50 basic points. This credit line was cancelled during fiscal year 2015.

#### Loan agreements with Inversiones Financieras del Sur S.A.

On July 28, 2015, our subsidiary Dolphin granted a loan to IFISA, a company indirectly controlled by Eduardo Sergio Elsztain for an aggregate amount of US\$7.2 million, which will mature on July 2016 and will accrue interests at a rate of f Libor 1M + 3%.

In addition, on October 9, 2015, though our subsidiary Reig V, we granted another loan for an aggregate amount of US\$40 million to IFISA, which will mature on October 2016 and will accrue interests at a rate of f Libor 1M + 3%.

#### Investment in Dolphin Fund Ltd.

As of the date of this annual report, we have invested approximately US\$300 million in Dolphin Fund Ltd., 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. 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)

### Agreement for the Exchange of Corporate Services between IRSA Commercial Properties and Cresud

Considering that each of IRSA Commercial Properties, 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 its 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.

In this regard, on June 30, 2004, IRSA Commercial Properties, Cresud and us, entered into an agreement for the exchange of corporate services, 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 and February 18, 2015.

The agreement for the exchange of corporate services among IRSA Commercial Properties, Cresud and us, currently provides for the exchange of services among the following areas: human resources, finance, institutional relationships, administration and control, insurance, contracts, technical, infrastructure and services, purchases, architecture and design and development and works department, real estate, hotels, board of directors, board of directors of the real estate business, general management department, security, audit committee, real estate administration, human resources of the real estate business, fraud prevention, internal audit, administration of the agribusiness investments environment and quality, among others

The exchange of services consists in the provision of services in relation to any of the aforementioned areas by one or more of the parties to the agreement for the benefit of the other party or parties, which are invoiced and paid primarily by an offset against the services provided by any of the areas and, secondarily, in case of a difference between the value of the services rendered, in cash.

Under this agreement the companies have entrusted to an external consultant the review and evaluation, on a semiannual basis, of the criteria applied in the corporate service settlement process and of the distribution bases and supporting documentation used in such process, through the issuance of a semiannual report.

On March 12, 2010, an amendment to the agreement for the exchange of corporate services was entered into to simplify issues originating from the consolidation of financial statements as a result of the increase in Cresud's equity interest in us. As a result, certain employment agreements of, IRSA Commercial Properties and our corporate employees were transferred to Cresud.

Later, as consequence of the ongoing process of generating the most efficient distribution of corporate resources among the different areas, on February 24, 2014, a new amendment to the agreement was entered by virtue of which the parties agreed to transfer to IRSA Commercial Properties and us the employments agreements of the corporate employees that develop exclusively in the real estate business. The labor costs of the employees continued to be distributed in accordance with the terms of the agreement for the exchange of corporate services, as amended.

In the future and in order to continue with the policy of generating the most efficient distribution of corporate resources among the different areas, this agreement may be extended to other areas shared by us with IRSA Commercial Properties and Cresud.

In spite of the above, we, Cresud and IRSA Commercial Properties continue to be independent in regard to the execution of our business and strategic decisions. Costs and benefits are allocated on the basis of operating efficiency and fairness without pursuing economic benefits for the companies.

Sale of "La Adela" Farm.

In July 2014 Cresud sold to us the “La Adela” farm, with an area of approximately 1,058 hectares, located in the District of Luján, Province of Buenos Aires, for a total amount of Ps. 210,000,000. Given its degree of development and closeness to the City of Buenos Aires, this farm has a high urbanistic potential; therefore, the purpose of selling it to us is for it to launch a new real estate development.

#### Credit facility IRSA – Cresud

In September 2011, we entered into a credit facility agreement with Cresud, pursuant to which we agreed to lend Cresud up to US\$25 million for a term of 90 days, at an annual interest rate of 7.5%. In May 2012, we entered into a credit facility agreement with Cresud, pursuant to which we agreed to lend them up to US\$7 million for a term of 180 days, at an annual interest rate of 7.5%.

As of June 30, 2015, all amounts due under this credit line were cancelled.

#### Credit facility IRSA – Cresud

In November 2013, we entered into a credit facility agreement with Cresud, pursuant to which CRESUD agreed to lend us up to US\$26.5 million for a term of six months, at an annual interest rate of 1.5%.

As of June 30, 2015, all amounts due under this credit line were cancelled.

#### 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 administrated by BACS Administradora de Activos S.A. S.G.F.C.I., which is a subsidiary of Banco Hipotecarios. As of June 30, 2015, our investments in the mutual funds administrated by BACS Administradora de Activos S.A. S.G.F.C.I. amounted to Ps.28.7 million.

#### Debt assignment

During the month of December 2014, IRSA Commercial Properties acquired the obligations arising from a credit line for US\$13.1 million that Panamerican Mall S.A. had granted to, our subsidiary, Tyrus. As a result, IRSA Commercial Properties assumed the obligations of Tyrus as debtor in such credit line.

#### Convertible Notes of IRSA Commercial Properties.

IRSA Commercial Properties’ Convertible Notes originally matured on July 19, 2006. But a meeting of noteholders resolved to extend the maturity date of such Convertible Notes through July 19, 2014, leaving the remaining terms and conditions remain unchanged. The Convertible Notes accrue interest (payable semi-annually) at a fixed annual rate of 10% and are convertible, at any time at the option of the holder, into shares of IRSA Commercial Properties’ common stock, par value of Ps. 0.10. The conversion rate per U.S. Dollar is the lesser of Ps. 3.08642 and the result obtained from dividing the exchange rate in effect at the conversion date by the par value of IRSA Commercial Properties’ common shares.

On December 31, 2012, the outstanding principal amount of such convertible notes was US\$ 31.8 million, and we owned US\$ 31.7 million principal amount of such convertible note on such date. On January 14, 2013, we accepted the repurchase offer submitted by IRSA Commercial Properties for an amount face value of US\$ 31.7 million, for a total price of US\$ 35.4 million. On January 15, 2013, IRSA Commercial Properties paid to us the amount of Ps. 175.2 million.

IRSA Commercial Properties' Convertible Notes expired on July 19, 2014.

Acquisition of investment properties from IRSA and intercompany loan between IRSA Commercial Properties and IRSA.

On December 22, 2014, we transferred to IRSA Commercial Properties, 83,789 m<sup>2</sup> of our premium office portfolio including the República building, 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 amount of the transaction was US\$308 million, US\$61.6 million of which have already been paid, and the balance of US\$246.4 million has been financed at an annual effective rate of 8.5% maturing on January 23, 2017 and July 13, 2020.

Related party Agreement with PAMSA

On December 1, 2006, IRSA Commercial Properties entered into an administration agreement with PAMSA. The management fee set forth in such agreement amounts to 12% of revenues from common maintenance expenses and collective promotion fund, plus 12% of capital expenditures and maintenance cost of the Dot and adjoining buildings.

Transfer of tax credits

During the fiscal year ended June 30, 2015, "Exportaciones Agroindustriales S.A." (EAASA) (a company controlled by Cresud S.A.C.I.F. y A.) and Cresud S.A.C.I.F. y A., assigned upon IRSA Propiedades Comerciales S.A., Ps.30.4 million and Ps.1.63 million, respectively, corresponding to Value Added Tax export refunds related to such company's business activity.

Agreement for the lease or use of spaces in Shopping Centers

We regularly lease different spaces in our Shopping Centers (stores, stands, storage units and/or advertising spaces) to related parties such as Tarshop or Banco Hipotecario, among others.

The lease agreements generally have a three year term with monthly payments, percentages of participation over the maintenance fees and over the collective promotion fund, and the payment of expenses and taxes. The monthly payment is indexed on an annual basis. The agreements also establish the payment of a right of admission and a special payment regarding the collective promotion fund which is paid at the beginning of each agreement.

The right to use the stands located in the shopping centers generally is given by use permit agreements or, in particular cases, comodato agreements. In the first case, the agreements have a term that might be of one or two years, establish monthly payments and a down payment used for the payment of maintenance fees and the applicable charges to the collective promotion fund and the applicable taxes and charges in proportion to the leased space. In the comodato agreements, the gratuitous bailee is in charge of any maintenance fees and expenses related to the stand, but has not any monthly lease payment or any fee related to the collective promotion fund.

Regarding the storage units, these agreements are accessory to the lease of stores or the use of the stands, so as a consequence, their term matches the term of the main agreement. These agreements only establish the payment of a monthly lease, which is indexed on an annual basis, and does not include the payment of fees to the collective promotion fund or maintenance fees.

Moreover, we and our controlling companies offer different spaces located in our shopping centers for advertising of different businesses, brands and/or products (non-traditional advertising). The taxes generated due to the execution of these agreements are generally paid by the counterparty.

#### Special reimbursement with different payment methods

We and our related parties undertake different commercial actions and promotions intended to promote the influx and consumption of the public in our shopping centers.

In some particular promotions it is offered, in specific dates or periods, different discount rates to the clients and/or financing plans with zero interest rates. We and our related parties entered into agreements with different financial entities, including among others, related parties such as Banco Hipotecario and Tarshop.

These agreements generally establish different reimbursement rates to those costumers that do purchase in all the shops that are part of them using the payment methods specified by each financial entity and, in certain opportunities, additional financing plans with zero interest rates. The costs of the reimbursements given to the customers generally are distributed proportionally among the tenants of the shops and the financial entities, while the cost of the financing at zero interest rate is assumed by the financial entities. We and our related parties act as intermediaries, making sure that the tenants adhere to the plan and advertising of these promotions. This operation doesn't generate any cash influx or transfer of income or cost between us and our related parties.

#### Hospitality Services

We and our related parties hire, in certain occasions, hotel services and lease conference rooms for events to our subsidiaries Nuevas Fronteras S.A., Hoteles Argentinos S.A. and Llao Llao Resorts S.A..

Occasionally, we and our related parties acquire rights to stay in the hotels of those companies, for their use in different corporate or promotional activities. As of June 30, 2015 and June 30, 2014, we and our related party had 128 and 723, accommodation days pending of utilization.

#### Sale of Advertising Space in Media

We and our related parties usually execute agreements with third parties by which we sell/acquire, for their future use rights to advertise in media (TV, radio, newspapers, etc.) that are later used in advertising campaigns.

## Legal Services

During the fiscal years ended June 30, 2015, 2014 and 2013 we paid Zang, Bergel & Viñes Abogados an aggregate amount of approximately Ps.3.9, Ps.3.5 million and Ps.2.8 million, respectively, as payment for legal services. Our Chairman Saúl Zang and our alternate director Salvador D. Bergel are members of Zang, Bergel & Viñes Abogados. Ernesto Manuel Viñes, partner of Zang, Bergel y Viñes Abogados, is member of the board of our subsidiary Banco Hipotecario.

## C. Interests of Experts and Counsel

This section is not applicable

## ITEM 8. Financial information

### A. Cosolidated Statements and Other Financial Information

See Item 18 for our Audited Consolidated Financial Statements.

## Legal or Arbitration Proceedings

### Legal Proceedings

Set forth 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, 2014, 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 respond filing certain preliminary objections, such as prescription among others. To the date, this proceeding has not been resolved.

#### 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.

The only pending issue was the determination of the City of Neuquén attorneys’ fees that were to be borne by Shopping Neuquén. As the date of their annual report Shopping Neuquén came to an agreement or paid all of the City’s lawyers but one, with whom the amount of the pending fees are being 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, with favorable expectations. In such sense, on April 10, 2014, the government of the City of Buenos Aires issued a new environmental compliance certificate. The plaintiff appealed this decision and the file has been placed on the Court of Appeal since September 23, 2014.

On the other hand, there is another judicial process currently being heard 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, confirmed in December, 2014. Therefore, on December 18th, 2014, the “Arcos” Project was opened to the public, operating normally nowadays.

Moreover, on May 18th, 2015 IRSA Commercial Properties was notified of the revocation of the Agreement for the Reorganization for Use and Exploitation N° AF000261 (“Contrato de Readección de Concesión de Uso y Explotación N°AF000261” issued by the Agency for the Management of the State Assets (“Agencia de Administración de Bienes del Estado” or “AABE”) through Resolution N° 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 for the uphold of the injunction. On March 17th, 2015 this request was rejected. As a consequence, it has filed a complaint appeal, process that has not been terminated yet.

#### 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.

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.

On December 7, 2012, we filed with the Argentine Antitrust Authority the acquisition 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 to 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".

#### 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:

- (4) 5% to our legal reserve, up to 20% of our capital stock;
- (5) a certain amount determined at a shareholders' meeting is allocated to compensation of our directors and the members of our Supervisory Committee;
- (6) to an optional reserve, a contingency reserve, a new account or for whatever other purpose our shareholders may determine.

According to rules issued by Comisión Nacional de Valores, cash dividends must be paid to shareholders within 30 days of the resolution approving their distribution. In the case of stock dividends, the shares must be delivered to shareholders within three months of the annual ordinary shareholders' meeting that approved them.

On February 2, 2007 we issued our 2017 fixed-rate notes for a total amount of US\$ 150.0 million at an annual interest rate of 8.5% payable semi-annually and due on February 2, 2017. These notes limit our ability to pay dividends, which may not exceed the sum of:

- 50% of our cumulative consolidated net income; or
- 75% of our cumulative consolidated net income if the consolidated interest coverage ratio is at least 3.0 to 1; or
- 100% of our cumulative consolidated net income if the consolidated interest coverage ratio is at least 4.0 to 1.
- 100% of the aggregate net cash proceeds (with certain exceptions) and the fair market value of property other than cash received by the Company or by its restricted subsidiaries from (a) any contribution to the Company's capital stock or the capital stock of its restricted subsidiaries or issuance and sale of the Company's qualified capital stock or the qualified capital stock of its restricted subsidiaries subsequent to the issue of the Company's notes due 2017, or (b) issuance and sale subsequent to the issuance of the Company's notes due 2017 or its indebtedness or the indebtedness of its restricted subsidiaries that has been converted into or exchanged for qualified capital stock of the Company, (c) any kind of reduction in the Company's indebtedness or the indebtedness of any of its restricted subsidiaries; or (d) any kind of reduction in investments in debt certificates (other than permitted investments) and in the return on assets; or (e) any distribution received from an unrestricted subsidiary.

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 Other" 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 million 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	—	—	—	—
2002	—	—	—	—
2003	—	—	—	—
2004	—	—	—	—
2005	—	—	—	—
2006	—	—	—	—
2007	—	—	—	—
2008	—	—	—	—
2009	31.7	0.055	—	0.055
2010	120.0	0.207	—	0.207
2011	311.6	0.539	—	0.539
2012	99.0	0.171	—	0.171
2013	180.0	0.311	—	0.311
2014	306.6	0.532	—	0.532
2015	56.6	0.9869	—	0.9869

(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

(1) Corresponds to payments per share.

#### B. Significant Changes.

##### Annual Shareholders Meeting..

On October 30, 2015, was held the Ordinary and Extraordinary Shareholders' Meeting in which was approved the following items:

- Consideration of documents contemplated in Section 234, paragraph 1, of the Argentine Companies Law No. 19,550 for the fiscal year ended June 30, 2015.
  - Consideration of Board of Directors' performance.
  - Consideration of Supervisory Committee's performance.
- Consideration of compensation payable to the Board of Directors for \$18,596,284 (total compensation) for the fiscal year ended June 30, 2015. Delegation on the Board of Directors of powers to approve the Audit Committee's budget.
- Consideration of compensation payable to the Supervisory Committee for the fiscal year ended June 30, 2015.
- 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 renewal of delegation on the Board of Directors of the powers to determine the time and currency of issue and further terms and conditions of the notes to be issued under the Global Note Program for up to US\$ 300,000,000 currently outstanding, in accordance with the resolutions adopted at the Shareholders' Meeting dated October 31, 2011.

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In addition it was approved to adjourn the Ordinary and Extraordinary Shareholders' Meeting to November 26, 2015, in order to consider and approve the following items:

- Treatment and allocation of net income for the fiscal year ended June 30, 2015 for \$520,161 thousand. Consideration of payment of a cash dividend for up to \$72,000 thousand.
- Consideration of Special Merger Financial Statements of Unicity SA; Special Merger Financial Statements of Solares de Santa María SA; Special Spin-Off Financial Statements of E-Commerce Latina SA; Special Spin-off-Merger Financial Statements of E-Commerce Latina SA; Special Merger Individual Financial Statements of IRSA Inversiones y Representaciones Sociedad Anónima (IRSA) and Consolidated Financial Statements of IRSA for Merger with Solares de Santa María SA and Unicity SA and Spin-Off-Merger with E-Commerce Latina SA prepared as of June 30, 2015, as well as Supervisory Committee's and Auditor's Reports. Consideration of preliminary merger agreement with Solares de Santa María SA and Unicity SA and preliminary spin-off-merger agreement with E-Commerce Latina SA and further documents. Authorizations and delegations of powers. Appointment of representative to execute final agreement and carry out additional proceedings.

On October 30, 2015 we held our shareholder meeting, which approved among other things:

- Treatment and allocation of net income for the fiscal year ended June 30, 2015. Consideration of payment of a cash dividend for up to Ps. 72.0 million.
- Consideration of compensation payable to the Board of Directors for Ps. 18.6 million (total compensation) for the fiscal year ended June 30, 2015.
- Consideration of renewal of delegation on the Board of Directors of the powers to determine the time and currency of issue and further terms and conditions of the notes to be issued under the Global Note Program for up to US\$ 300,000,000 currently outstanding, in accordance with the resolutions adopted at the Shareholders' Meeting dated October 31, 2011.

Consideration of Special Merger Financial Statements of Unicity SA; Special Merger Financial Statements of Solares de Santa María SA; Special Spin-Off Financial Statements of E-Commerce Latina SA; Special Spin-off-Merger Financial Statements of E-Commerce Latina SA; Special Merger Individual Financial Statements of IRSA Inversiones y Representaciones Sociedad Anónima (IRSA) and Consolidated Financial Statements of IRSA for Merger with Solares de Santa María SA and Unicity SA and Spin-Off-Merger with E-Commerce Latina SA prepared as of June 30, 2015, as well as Supervisory Committee's and Auditor's Reports. Consideration of preliminary merger agreement with Solares de Santa María SA and Unicity SA and preliminary spin-off-merger agreement with E-Commerce Latina SA and further documents. Authorizations and delegations of powers. Appointment of representative to execute final agreement and carry out additional proceedings.

The shareholder meeting was adjourned to November 26, 2015.

### 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.



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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 depository 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 2011 through October 22, 2015. 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 Volume	Ps. per Share High	Low	GDS Volume	US\$ per GDS High	Low
<b>Fiscal Year 2011</b>						
1st Quarter	5,280,873	5.80	4.12	3,216,854	14.79	10.41
2nd Quarter	6,160,767	6.97	5.52	6,564,773	17.56	13.92
3rd Quarter	4,155,521	6.85	5.72	2,538,953	16.77	13.80
4th Quarter	2,138,722	5.90	5.29	3,134,678	13.78	12.46
Annual	17,735,883	6.97	4.12	15,455,258	17.56	10.41
<b>Fiscal Year 2012</b>						
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
<b>Fiscal Year 2013</b>						
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
<b>Fiscal Year 2014</b>						
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
<b>Fiscal Year 2015</b>						
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
<b>Fiscal Year 2016</b>						
1st Quarter	4,637,175	24.50	18.50	3,942,683	18.54	13.92
July 2015	1,306,446	24.50	21.90	1,221,373	18.54	16.65
August, 2015	366,564	24.20	19.10	853,091	17.91	14.21
September, 2015	539,736	21.00	18.50	983,941	14.97	13.92
October, 2015	264,740	24.95	19.80	1,841,175	18.15	14.75
As of November 12, 2015	133,484	25.50	24.50	1,360,098	17.95	17.43

Source: Bloomberg

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## 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 N° 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 depository 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 depository 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 N° 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,	
	2015	2014
Market capitalization (Ps. billion)	4,025	3,957
Average daily trading volume (1) (Ps. million)	149.6	200.5
Number of listed companies	99	104

(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 company's stock being available for active trading by the public on the MVBA. As of June 30, 2015, approximately 99 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 and a 35.9% increase during the six months of 2015. 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;
- 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.

The total and aggregate compensation paid to our Senior Management and Directors for the fiscal year ended June 30, 2015 was Ps. 6.1 million.

The shareholders meeting held on October 30, 2015, approved by majority vote the decision not to pay any compensation to our Supervisory Committee.

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:

- to be applied to satisfy our liabilities; and
- 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

On October 31, 2003 in the ordinary and extraordinary annual shareholders meeting, shareholders decided not to adhere to the "Régimen Estatutario Optativo de Oferta Pública de Adquisición Obligatoria" (Optional Statutory Body of Public Offering of Compulsory Acquisition) provided under Decree N° 677/2001, consequently, shareholders decided to incorporate that provision under Section 1 of the by-laws.

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:

- 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
- 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.



As a result of the enactment of the new Capital Markets Law, all the companies which are regulated by it are subject to the Statutory Regime of Public Offerings of Compulsory Acquisition (Régimen Estatutario Optativo de Oferta Pública de Adquisición Obligatoria) in accordance with its terms. In consequence, we are subject to the regime in question. The modification of our by-laws in order to comply with former Decree 677/2001 has been superseded by the new regulation. 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):

- matters that may not be approved at an ordinary shareholders' meeting;
- the amendment of our by-laws;
- reductions in our share capital;
- redemption, reimbursement and amortization of our shares;
- mergers, and other corporate changes, including dissolution and winding-up;
- limitations or suspensions to preemptive rights to the subscription of the new shares; and
- 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 September 2003 by the IGJ, 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: (1) the IGJ may not register corporate decisions adopted by the Argentine Company when its off-shore shareholder votes as a shareholder and when that vote is essential in attaining a majority. 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; (2) whether or not the vote of the off-shore entity is necessary for purposes of determining quorum or majority, the IGJ may register the decision without considering that vote; and (3) the directors of the Argentine Company may be held personally liable for actions taken by the Argentine Company.

#### 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.

#### Amendment to the by-laws

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.

#### 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

All transactions involving the purchase and sale of foreign currency must be settled through the single free exchange market (Mercado Único Libre de Cambios, or "MULC") where the Central Bank supervises the purchase and sale of foreign currency. Under Decree N° 260/2002, the Argentine government set up an exchange market through which all foreign currency exchange transactions are made. Such transactions are subject to the regulations and requirements imposed by the Central Bank. Under Communication "A" 3471, as amended, the Central Bank established certain restrictions and requirements applicable to foreign currency exchange transactions. If such restrictions and requirements are not met, criminal penalties shall be applied.

##### 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, the Argentine government imposed 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 365 calendar days, 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.

Pursuant to Communication “A” 4359, as amended, which regulated the Decree N° 616/2005, a registered, non-transferable and non-interest bearing deposit must be kept in Argentina for a period of 365 calendar days, in an amount equal to 30% of any inflow of funds into the domestic exchange market arising from (i) foreign debt (excluding foreign trade); and (ii) purchase of interests in Argentine companies that are not listed on self-regulated markets, except for direct investments and other transactions that may result in the inflow of foreign currency, or in indebtedness of a resident towards a nonresident. However, primary debt offerings by means of public offerings which are listed on a self-regulated market are exempted from such requirements. The mandatory deposit must be made in U.S. Dollars and held in Argentine financial institutions and it may not be used to guarantee or as collateral of any type of credit transactions.

Communication “A” 4377, amended by Communication “A” 4762, 4933 and 5532, exempted from keeping the 30% mandatory deposit the following transactions:

- i) Inflows of funds made by Multilateral and Bilateral Credit Agencies, either directly or through their related agencies.
- ii) Financial indebtedness with non-resident financial or private sector, to the extent the funds, net of taxes and expenses, are applied to the purchase of foreign currency for the payment of external debt services or the formation of long-term assets.
- iii) Any other financial indebtedness with non-resident financial or private sector, to the extent the inflows had been incurred and repaid in an average term no less than two years, including principal and interests and, to the extent, the funds are applied to investment in non - financial assets by the private sector.
- iv) Foreign currency settlements by Argentine residents derived from foreign currency loans granted by local financial institutions.
- v) Direct investment contributions in local companies (pursuant to Communication “A” 4237 which defines “direct investment” as the participation in the capital stock which must be no less than 10%) and sale of interests in the capital stock of local companies to direct investors.

With respect to item v), there are some requirements aiming to comply with the accurate capitalization of the direct investment contribution regarding the actual capitalization and registration of the contribution with the Public Registry of Commerce in a term of 540 calendar days, otherwise, the mandatory deposit shall be made within 10 calendar days. This term shall be considered from the date in which the local company resolves not to accept the contribution and/or the rejection and/or suspension thereof. Regarding the sale of interest in the capital stock of a local company by a direct investor, it shall be required the filing of the sale and purchase agreement or the public offer of acquisition, as the case may be. Within 20 business days of the settlement of the transaction through the MULC, it shall be required the filing of the registration of the amendment to the by-laws with the Public Registry of Commerce or a legalized copy of the Ledger Book, depending on the type of company (corporation or limited liability company).

Additionally, Communication “A” 4901, dated February 5, 2009, exempts from the obligation to keep such mandatory deposit in the case of inflows into the exchange market made by nonresidents, when the Pesos resulting from the settlement of the foreign currency are applied within the following ten business days to any of the purposes set forth by the classification of current transactions in international accounts, namely: a) discharge of advance payments or liabilities for income and personal asset taxes payable by individuals who are regarded as residents from a tax standpoint; b) payment by nonresidents of contributions to the social security system or payments to employee-owned or prepaid healthcare systems; c) payment of other taxes which, given their nature, are borne by nonresidents in their capacity as taxpayers, and always provided that such payment does not entitle the nonresident to claims vis-à-vis the

tax authorities or third parties; and d) other rates and services supplied by residents. In addition, such exemption on mandatory deposits, subject to certain additional requirements, is also applicable to funds remitted from abroad by nonresident companies on behalf of employees from international corporate groups who are temporarily abroad, to local companies responsible for the settlement of taxes and for making the relevant payments.

As result of the enactment of Communication "A" 5604, dated on July 10, 2014, which introduced item 2.7. in the Communication "A" 5526 as it is mentioned below, which in turn was modified by Communication "A" 5643, including direct investments, and the latter modified by Communication "A" 5692, direct investments made by nonresidents to local companies, shall be maintained in local account in foreign currency from October 9 until December 31, 2015 to the extent such funds comply with the provisions set forth in item 2.7. of Communication "A" 5526.

Obligation for the settlement of funds through the MULC.

General rules. Exports.

Pursuant to Executive Decree N° 1606/2011 any foreign currency derived from foreign trade must be settled through the MULC.

Pursuant to Communication "A" 5300, as amended, within 15 business 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. In all cases, the due date for the settlement of the funds derived from exports shall be the shortest time between 15 business day and the date applicable to the specific good according to the current rules. Such funds shall be credited in a local bank account duly opened in favor of the client.

In connection with the funds which were disbursed in bank accounts abroad, for the same concept referred to in the paragraph above, the due date for the transfer of such funds to a representative account of a local bank entity is 10 business days.

According to several regulations enacted by Central Bank, it is allowed the application of payment for exports abroad for the cancellations of exporter's debt in the following cases:

- a. advance payments and prefinancing loans for exports.
- b. financing of local new investment projects for the increase of production of exportable goods or importation substitutes, among others.
- c. other financial indebtedness for bonds offering abroad and financial loans granted by foreign banks.
- d. financial indebtedness with local financial entities to the extent the term (no less than 10 years), an average term (no less than 5 years) and interest rate (up to a 100 b.p. over labor 180 days) has been accomplished.

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 fifteen business 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

On October 28, 2011, the Federal Administration of Public Revenues (Administración Federal de Ingresos Públicos, or "AFIP") established an Exchange Transactions Inquiry Program ("Inquiry Program") through which the entities authorized by the Central Bank to deal in foreign exchange must inquire and register through an IT system the total Peso amount of each exchange transaction at the moment it is closed.

All foreign exchange sale transactions, whether involving foreign currency or banknotes, irrespective of their purpose or allocation, are subject to this inquiry and registration system, which determines whether transactions are "Validated" or "Inconsistent".

Pursuant to Communication "A" 5239, later replaced by Communication "A" 5245, in the case of sales of foreign exchange (foreign currency or banknotes) for the formation of off-shore assets by residents without the obligation of subsequently allocating it to specific purpose, entities authorized to deal in foreign exchange may only allow transactions through the MULC by those clients who have obtained the validation and who comply with the rest of the requirements set forth in the applicable foreign exchange regulations. The following are exempted from the Inquiry Program, among others: a) international agencies and institutions that act as official export credit agencies, diplomatic and consular offices, bilateral agencies established under International Treaties; and b) local governments.

Sales of foreign exchange other than for the formation of off-shore assets by residents without a specific purpose are also exempted from the Inquiry Program, although, the financial entities must verify that the other requirements established by the MULC are accomplished.

On December 20, 2012, Resolution N° 3421 replaced Resolution N° 3356, both enacted by AFIP. The latest one sets forth an unified registration system to be fulfilled for the access to the foreign exchange market, in particular for the outflow of funds made by residents or nonresidents, in whichever purpose or destiny. Such resolution is related with Communications "A" 5245.

#### Financial Indebtedness

In accordance with Communication "A" 5265, as amended by Communication "A" 5604 (as of July 10, 2014) the transactions arising from financial indebtedness of the financial sector, private non-financial sector and local governments must be settled in the foreign exchange market.

The provisions reach indebtedness with bonds, financial loans and any other transaction by which a disbursement of funds from a non-resident had been carried out. The obligation of settlement through the MULC shall be conducted within 30 calendar days from the date of the disbursement abroad and the transfer shall be deposited in a local bank account.

Any new financial indebtedness paid through the MULC and any debt renewal with financial non-residents and private non-residents shall be settled, maintained and renewed for at least 365 calendar days from the date of the disbursement, and they may not be prepaid before such term, whatever the manner of the cancellation of the obligation with the creditor had been agreed and independently of whether said cancellation is channeled through the MULC or not.

The primary issuance of publicly securities traded in self-regulated markets is exempted of the foregoing provisions.

On January 8, 2015, , through Communication “A” 5692, the Central Bank extended the term established by Communication “A” 5643 through which the conditions established in item 2.7. of the Communication “A” 5526 related to the purchase of foreign currency for the formation of off-shore assets by residents, shall be applied to the financial indebtedness from October 9, 2014 until December 31, 2015. The inflow of funds through this channel shall be subject to provisions set forth in Decree N° 616/2005, meaning that mandatory deposit of 30% shall apply. Nevertheless, it shall be considered the final destination of the funds that are exempted from such mandatory deposit (i.e. financial indebtedness with non-resident financial or private sector, to the extent the inflows had been incurred and repaid in an average term no less than two years, including principal and interests and, to the extent, the funds are applied to investment in non - financial assets by the private sector). By this regulation, the funds may be maintained in local account in foreign currency during the term authorized thereof.

Formation of off-shore assets by residents with and without subsequent allocation to specific purposes

On January 27, 2014, the Central Bank enacted Communication “A” 5526 which abrogated item II of Communication “A” 5318 (as of July 5, 2012) rule that, in turn, had suspended item 4.2. of Communication “A” 5236 (as of October 27, 2011) related to the purchase of foreign currency for the formation of off-shore assets by residents.. Communication “A” 5526, by entirely replacing item 4 of Communication “A” 5236 (which regulated the outflow of funds for the formation of off-shore assets for subsequent allocation without specific purposes to individuals who were Argentine residents, legal entities organized in Argentina and trust set up with contributions from the national public sector), made void the restrictions to the foreign exchange market to individuals who are residents, allowing them to purchase foreign currency as savings based on the income declared with the AFIP, prior to a validation system to be accomplished by such individuals. Additionally, the referred rule rearranged and, therefore replaced Annex to Communication “A” 5236.

On July 10, 2014, through Communication “A” 5604, the Central Bank made some additional changes to Communication “A” 5526, including the item 2.7., This item was amended by Communication “A” 5604 and Communication “A” 5757, the latter dated on May 21, 2015. As a result of such amendments it was set forth that new bond offerings and debt instruments issued under public offering procedure and listed on self - regulated markets by local governments and /or private non -financial sector, that may be considered as external issuance, it shall be allowed the access to the foreign exchange market for the purchase of foreign currency to be deposited in local financial institutions (in a fixed term or special foreign currency account), simultaneously to the settlement of the funds received for the acquisition of such bonds or debt instruments abroad. Such permit shall be made for the total amount of the funds settled through the foreign exchange market and for a term of no longer than 270 calendar days. At least 80% of such funds must be applied to any future needs of net foreign currency required by the company involved. After the due date of 270 calendar days established by the Communication, the funds that had not been used, must be settled through the foreign exchange market within 10 business days. The referred funds shall not be subject to the mandatory deposit of 30% regulated by Communication “A” 4359, as amended.

#### 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" 5604, 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.

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.

The financial entity shall verify the accomplishment of the formalities established by Communication "A" 3602, as amended, and the fulfillment of the report of direct investment ruled by Communication "A" 4237 (please see below the Reporting System).

#### Payment of foreign financial indebtedness

Access to the exchange market is allowed for payments of principal amounts due, with the exception of the financial institutions subject to discounts granted by the Central Bank and which have restructured their debt with foreign creditors (Decree N° 739/2003 and Communication "A" 3940 of the Central Bank).

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 subject to regulations set forth by Communications "A" 5265 as of January 3, 2012.

The sale of foreign currency for the payment of financial indebtedness must be made through check issued by the resident or debit to the resident local bank account. The financial entity must verify 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 365 calendar days, in accordance with Decree N° 616/2005.

Interest payments: Pursuant to Communication “A” 5264, item 3.7. modified by Communication “A” 5604 on July 10, 2014 (after several amendments since its issuance), the access to the MULC for the purchase of foreign currency to pay interests for financial indebtedness may be made:

- a. Up to 10 business day prior to the due date of each interest installment and to pay interest accrued within such interest period;
- b. To pay interest accrued from the date of the settlement of the disbursement through the local foreign exchange market; or
- c. To pay interest accrued from the date of the actual disbursement; provided that the funds disbursed abroad were credited in correspondent accounts of entities authorized to settle such funds through the local exchange market, within 48 hours from the date of their disbursement.

In all cases, the financial entity must verify the filing of the documents required by Communication “A” 3602 (affidavit related to the financial indebtedness) and Communication “A” 4237 (reporting of direct investment owned by non-residents) in case the creditor is part of the debtor’s economic group.

Principal Repayments and Prepayments: Pursuant to Communication “A” 5265, amended by Communication “A” 5604 (enacted on July 10, 2014) foreign currency necessary to pay principal on foreign indebtedness owed by the private non-financial sector may be acquired:

- a. within 10 business days prior to the stated maturity of the applicable obligation; provided that the funds disbursed under such obligation have remained in Argentina for at least 365 days; or
- b. with the anticipation required from an operating standpoint in order to pay to the creditor at maturity, in case of principal installments the payment of which depends on the satisfaction of specific conditions expressly contemplated in the contracts executed by and between the parties involved.
- c. with an anticipation of more than 10 business day –partial or full- to the extent the disbursed funds have remained in Argentina for at least 365 and the payment is financed with the inflow of funds from abroad for capital contribution.
- d. with the anticipation of more than 10 business day –partially or full- to the extent the minimum term of 365 days as of the disbursement of the funds has been accomplished and the prepayment is fully offset with the inflow through the MULC of new external financial with international entities and their agencies, official credit entities and financial entities from abroad, to the extent that such cancellation implies a condition for the new indebtedness and/or for the new bond offerings and debt instruments issued under public offering procedure and listed on self - regulated markets, that may be considered as external issuance. In each case, it is a condition: (a) the average term of the new indebtedness is higher than the average term of the outstanding debt that it is prepaid considering both capital and interest, and (b) it may not imply an increase in the present value of the indebtedness for the debtor.

#### 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

The consent of the Central Bank is not required, unless the following conditions are met:

- A. evidence is given that a smaller amount of foreign currency than the one intended to be purchased previously entered through the MULC during the nonresident's period of stay in Argentina;
- B. the original foreign exchange certificate through which the foreign currency entered is produced;
- C. an equivalent to US\$5,000 per client and per period of stay in Argentina is not exceeded.

For further details regarding the exchange regulations applicable in Argentina, investors should consult their professional advisers and read the full text of Decree 616/2005, Resolution N° 365/2005 of the Ministry of Economy and Production and Criminal Exchange Law N° 19,359, as well as the relevant regulations and supplementary provisions. 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 established 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 2°, 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.

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:

- § a bank;
- § a dealer in securities or currencies;
- § a financial institution;
- § a regulated investment company;
- § a real estate investment trust;
- § an insurance company;
- § a tax exempt organization;
- § a person holding the common shares or GDSs as part of a hedging, integrated or conversion transaction, constructive sale or straddle;
- § a trader in securities that has elected the mark-to-market method of accounting for your securities;
- § a person liable for alternative minimum tax;
- § a person who owns or is deemed to own 10% or more of the voting stock of our company;
- § a partnership or other pass-through entity for United States federal income tax purposes; or
- § 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 depository 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:

- § an individual citizen or resident of the United States;
- § a corporation created or organized in or under the laws of the United States, any state thereof or the District of Columbia;
- § an estate the income of which is subject to United States federal income taxation regardless of its source; or
- § 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 depository, 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 depository, 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, 2015, 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:

- at least 75% of our gross income is passive income; or
- 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, 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:



- the excess distribution or gain will be allocated ratably over your holding period for the common shares or GDSs;
- 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
- 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 our common shares and GDSs as ordinary income under a mark-to-market method, provided that our common shares or GDSs are 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. Your basis in the common shares or GDSs will be adjusted to reflect any such income or loss amounts. 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 as of 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.

**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. However, dividends received by Argentine entities (generally 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) are not subject to the 10% tax .

Notwithstanding the foregoing, according to Argentine law, and irrespective of the 10% tax mentioned in the previous paragraph, an additional 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 neither subject to Dividend Tax nor to Equalization Tax.

In case both the Dividend Tax and the Equalization Tax apply, the latter should be applied first and then the 10% rate of the Dividend Tax should be applied on the remaining amount of dividends (i.e. the effective rate of both taxes on dividends would be 41.5%). 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 is 0.5% 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 2014. 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.

#### 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.

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 during 2014 for an amount of US\$ 62,586.5, 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
- 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,
- 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 on 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.

As a result, we cannot give you any assurance that we will pay any dividends with respect to our common shares in the future.

These notes contain a covenant limiting our ability to pay dividends which may not exceed the sum of:

- 50% of our cumulative consolidated net income; or
- 75% of our cumulative consolidated net income if our consolidated interest coverage ratio for our most recent four consecutive fiscal quarters is at least 3.0 to 1; or
- 100% of our cumulative consolidated net income if our consolidated interest coverage ratio for our most recent four consecutive fiscal quarters is at least 4.0 to 1; or
- 100% of our aggregate net cash proceeds (with certain exceptions) and the fair market value of property other than cash received by us or by our restricted subsidiaries from (a) any contribution to our capital stock or the capital stock of our restricted subsidiaries or issuance and sale of our qualified capital stock or the qualified capital stock of our restricted subsidiaries subsequent to the issue of our notes due, (b) issuance and sale subsequent to the issuance of our Series I and Series II notes or our indebtedness or the indebtedness of our restricted subsidiaries that has been converted into or exchanged for our qualified capital stock, or (c) any reduction in our indebtedness or any restricted subsidiary, (d) any reduction in debt investment (other than permitted investments) and return on assets, or (e) any distribution received from non-restricted subsidiaries.

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, Chief Financial Officer and Chief 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, Chief Financial Officer and Chief 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, 2015. Based upon this evaluation our Chief Executive Officer, Chief Financial Officer and Chief 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.

We have been unable to obtain financial statements for IDBD for the year ended December 31, 2014 audited in accordance with U.S. GAAS that may be required to be included in this Annual Report on Form 20-F by Rule 3-09. As of June 30, 2015, we held 49% of IDBD and, as such, we did not control IDBD and did not have the power to direct IDBD or its management to provide us with such audited consolidated financial statements. In reliance on Rule 12b-21 promulgated under the Exchange Act we have provided unaudited consolidated financial statements for IDBD for the year ended December 31, 2014, which do not comply with Rule 3-09. As a result of including such financial information, we do not believe that the omission of the audited consolidated financial statements in accordance with Rule 3-09 will have a material impact on a reader's understanding of our financial condition or our results of operations.

We are in the process of requesting a waiver from the SEC for filing the audited consolidated financial statements of IDBD for the year ended December 31, 2014 as may be required by Rule 3-09. We cannot provide you with any assurances that we will obtain this waiver. If the SEC does not grant this waiver to us, we will have to file an amendment to this annual report including the financial statements of IDBD for the year ended December 31, 2014 audited in accordance with U.S. GAAS as soon as such financial statements become available.

## 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, 2015. 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 (1992). Based on this evaluation, management concluded that our Internal Control over Financial Reporting was effective as of June 30, 2015.

### Remediation of Prior Year Material Weakness

We have previously disclosed in our annual report on Form 20-F for the year ended June 30, 2014 that we and our independent registered public accounting firm identified the following material weakness. The material weakness related to the failure to effectively interpret the impact of significant, non-routine complex contractual clauses associated with the investment in the associate IDBD.

A material weakness is a deficiency, or combination of deficiencies, in Internal Control over Financial Reporting, such that there is a reasonable possibility that a material misstatement of the Company's annual or interim financial statements will not be prevented or detected on a timely basis.

We have undertaken the following remedial steps to address the material weakness:

- Hired additional qualified accounting personnel versed in the technical requirements of IFRS at the subsidiary level to interpret, analyze and account for significant complex contractual provisions;
- Implemented a process to collect and consolidate all material contractual provisions at the subsidiary level to assist in the appropriate evaluation and documentation requirements required by IFRS;
- Implemented additional review by management to confirm proper identification, analysis and implementation of relevant accounting standards going forward; and
- Trained personnel at both corporate and subsidiary levels to better assess and evaluate contractual provisions and the impact of derivative financial instruments.

We have implemented and executed these actions above as part of our remediation plans and we have successfully tested them. As of June 30, 2015, we have concluded that the material weakness described in our annual report on Form 20-F for the year ended June 30, 2014 has been remediated.

C. Attestation Report of the Registered Public Accounting Firm

The effectiveness of the Company's internal control over financial reporting as of June 30, 2015 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

Other than the implementation and refinement of the controls necessary to remediate the previous year's material weakness, there was no change in our internal control over financial reporting occurred during the period covered by this 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](http://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, 2015 and 2014, we were billed a total amount of Ps. 7.4 million and Ps. 5.8 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, 2015 and 2014, no audit-related services were provided.

Tax Fees

During the fiscal year ended June 30, 2015 and 2014, we were billed a total amount of Ps. 0.01 million and Ps. 0.02 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, 2014 and June 30, 2013 we were billed for professional services rendered by our principal accountants, including fees mainly related to special assignments and courses, a total amount of Ps.0 million and Ps. 0.1 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:

- 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 N° 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

Section 303A.01 A NYSE-listed company must have a majority of independent directors on its board of directors.

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

##### IRSA's Corporate Practices

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.

CNV standards (former General Resolution N° 400 and now General Resolucion 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

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.

Section 303A.03 Non-management directors must meet at regularly scheduled executive meetings not attended by management.

Section 303A.05(a) Listed companies shall have a "Compensation Committee" comprised entirely of independent directors.

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 303A.05(b)(i) and (ii).  
NYSE Standards for U.S. companies Listed Companies Manual Section 303.A

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.

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.

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.

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.

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.

Neither Argentine law nor our by-laws require the formation of a "Compensation Committee."

IRSA's Corporate Practices

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.

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-305

Index to Financial Statements (see page F-1).

ITEM 19. Exhibits

INDEX OF EXHIBITS

Exhibit N°	Description of Exhibit
1.1*	Estatutos 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 May  
11, 2007, between  
us as Issuer, The  
Bank of New York  
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 for the  
US\$ 200,000,000  
Global Note  
Program for Notes  
due no less than 30  
days from date of  
original issue.

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.
- 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.

15.1 Consolidated financial statements of IDBD Development Corporation Ltd. as of and for the year ended December 31, 2014 unaudited (not in accordance with U.S. GAAS).

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- \* 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.

## 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 November 17, 2015 By: /s/ Matias I. Gaivironsky  
Name Matías I. Gaivironsky  
Title Chief Financial Officer

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IRSA Inversiones y Representaciones Sociedad Anónima

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Consolidated Statements of Comprehensive Income for the fiscal years ended June 30, 2015, 2014 and 2013	F - 4
Consolidated Statements of Changes in Shareholders' Equity for the fiscal years ended June 30, 2015, 2014 and 2013	F - 6
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### IRSA Inversiones y Representaciones Sociedad Anónima

#### 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, 2015 and June 30, 2014, and the results of their operations and their cash flows for each of the three years in the period ended June 30, 2015 in conformity with International Financial Reporting Standards as issued by the International Accounting Standards Board. Also, in our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of June 30, 2015, based on criteria established in Internal Control - Integrated Framework 1992 issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). The Company's management is responsible for these financial statements, 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 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.

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.

PRICE WATERHOUSE & Co. S.R.L.

By:/s/Eduardo A. Loiácono(Partner)

Eduardo A. Loiácono

Buenos Aires, Argentina

November 17, 2015

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## IRSA Inversiones y Representaciones Sociedad Anónima

Consolidated statements of financial position  
as of June 30, 2015 and 2014

(All amounts in thousands of Argentine Pesos, except shares and per share data and as otherwise indicated)

ASSETS	Note	06.30.2015	06.30.2014
<b>Non- Current Assets</b>			
Investment properties	10	3,490,077	3,269,595
Property, plant and equipment	11	243,134	220,013
Trading properties	12	128,104	130,657
Intangible assets	13	127,409	124,085
Investments in associates and joint ventures	8,9	2,550,946	2,260,805
Deferred income tax assets	27	52,810	368,641
Income tax and minimum presumed income tax ("MPIT") credit		108,522	110,185
Trade and other receivables	17	115,141	92,388
Investments in financial assets	18	702,503	274,716
Derivative financial instruments	19	206,407	-
<b>Total Non-Current Assets</b>		<b>7,725,053</b>	<b>6,851,085</b>
<b>Current Assets</b>			
Trading properties	12	3,300	4,596
Inventories	14	22,770	16,963
Restricted assets	16	9,424	-
Income tax and minimum presumed income tax ("MPIT") credit		19,009	15,866
Assets held for sale	42	-	1,357,866
Trade and other receivables	17	1,150,070	706,846
Investments in financial assets	18	295,409	234,107
Derivative financial instruments	19	29,158	12,870
Cash and cash equivalents	20	375,180	609,907
<b>Total Current Assets</b>		<b>1,904,320</b>	<b>2,959,021</b>
<b>TOTAL ASSETS</b>		<b>9,629,373</b>	<b>9,810,106</b>
<b>SHAREHOLDERS' EQUITY</b>			
Capital and reserves attributable to equity holders of the parent			
Share capital		574,451	573,771
Treasury stock		4,225	4,905
Inflation adjustment of share capital and treasury stock		123,329	123,329
Share premium		793,123	793,123
Additional paid-in capital from treasury stock		7,233	-
Cost of treasury stock		(33,729 )	(37,906 )
Changes in non-controlling interest		(5,659 )	(21,808 )
Reserve for share-based compensation	26	63,824	53,235
Legal reserve		116,840	116,840
Special reserve		3,824	375,487
Reserve for new developments		-	413,206
Cumulative translation adjustment		274,667	398,931

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Accumulated deficit		(40,414 )	(784,869 )
Total capital and reserves attributable to equity holders of the parent		1,881,714	2,008,244
Non-controlling interest		376,644	548,352
<b>TOTAL SHAREHOLDERS' EQUITY</b>		<b>2,258,358</b>	<b>2,556,596</b>
<b>LIABILITIES</b>			
<b>Non-Current Liabilities</b>			
Trade and other payables	21	254,628	202,652
Borrowings.....	24	3,736,028	3,756,003
Derivative financial instruments	19	265,056	320,847
Deferred income tax liabilities	27	51,440	345,607
Salaries and social security liabilities	22	2,220	3,749
Provisions	23	374,121	205,228
<b>Total Non-Current Liabilities</b>		<b>4,683,493</b>	<b>4,834,086</b>
<b>Current Liabilities</b>			
Trade and other payables	21	895,996	678,725
Income tax and minimum presumed income tax ("MPIT") liabilities		135,380	64,677
Liabilities held for sale	42	-	806,612
Salaries and social security liabilities	22	122,606	99,276
Derivative financial instruments	19	245,088	14,225
Borrowings	24	1,236,940	737,477
Provisions	23	51,512	18,432
<b>Total Current Liabilities</b>		<b>2,687,522</b>	<b>2,419,424</b>
<b>TOTAL LIABILITIES</b>		<b>7,371,015</b>	<b>7,253,510</b>
<b>TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES</b>		<b>9,629,373</b>	<b>9,810,106</b>

The accompanying notes are an integral part of these Consolidated Financial Statements.

IRSA Inversiones  
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## IRSA Inversiones y Representaciones Sociedad Anónima

## Consolidated statements of income

for the fiscal years ended June 30, 2015, 2014 and 2013

(All amounts in thousands of Argentine Pesos, except shares and per share data and as otherwise indicated)

	Note	06.30.2015	06.30.2014	06.30.2013
Income from sales, rents and services	30	2,515,421	2,108,874	1,592,890
Income from expenses and collective promotion fund ("FPC")	30	887,208	736,302	594,290
Costs	31	(1,510,574 )	(1,354,493 )	(1,087,611 )
Gross Profit		1,892,055	1,490,683	1,099,569
Gain from disposal of investment properties	3,10	1,162,770	235,507	183,767
General and administrative expenses	32	(374,481 )	(296,928 )	(194,841 )
Selling expenses	32	(193,470 )	(146,236 )	(106,125 )
Other operating results, net	34	28,488	(45,870 )	93,268
Profit from operations		2,515,362	1,237,156	1,075,638
Share of loss of associates and joint ventures	8,9	(1,022,861 )	(413,771 )	(7,391 )
Profit before financial results and income tax		1,492,501	823,385	1,068,247
Finance income	35	137,114	131,509	119,525
Finance costs	35	(1,107,173 )	(1,726,875 )	(772,412 )
Other financial results	35	35,893	(123,903 )	14,695
Financial results, net	35	(934,166 )	(1,719,269 )	(638,192 )
Profit / (Loss) before income tax		558,335	(895,884 )	430,055
Income tax	27	(488,266 )	64,267	(132,847 )
Profit / (Loss) for the year		70,069	(831,617 )	297,208
Attributable to:				
Equity holders of the parent		(41,193 )	(786,487 )	238,737
Non-controlling interest		111,262	(45,130 )	58,471
Profit / (Loss) per share attributable to equity holders of the parent during the year (Note 36):				
Basic		(0.07 )	(1.37 )	0.41
Diluted		(0.07 )	(1.37 )	0.41

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 Income

for the fiscal years ended June 30, 2015, 2014 and 2013

(All amounts in thousands of Argentine Pesos, except shares and per share data and as otherwise indicated)

	06.30.2015	06.30.2014	06.30.2013
Profit / (Loss) for the year	70,069	(831,617 )	297,208
Other comprehensive income:			
Items that may be reclassified subsequently to profit or loss:			
Currency translation adjustment	(108,097 )	442,844	56,799
Other comprehensive income for the year (i)	(108,097 )	442,844	56,799
Total comprehensive income for the year	(38,028 )	(388,773 )	354,007
Attributable to:			
Equity holders of the parent	(165,457 )	(438,332 )	287,926
Non-controlling interest	127,429	49,559	66,081

(i) Components of other comprehensive income have no impact on income tax.

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, 2015, 2014 and 2013

(All amounts in thousands of Argentine Pesos, except shares and per share data and as otherwise indicated)

	Attributable to equity holders of the parent										
	Share capital	Treasury stock	Inflation adjustment of share capital and treasury stock (2)	Share premium	Additional paid-in capital from treasury stock	Cost of treasury stock	Changes in non-controlling interest	Reserve for share-based compensation	Legal reserve	Special reserve (1)	Reserve for new developments
Balance at June 30, 2014	573,771	4,905	123,329	793,123	-	(37,906)	(21,808)	53,235	116,840	375,487	413,000
Profit for the year	-	-	-	-	-	-	-	-	-	-	-
Other comprehensive income for the year	-	-	-	-	-	-	-	-	-	-	-
Total comprehensive income for the year	-	-	-	-	-	-	-	-	-	-	-
Reversal of reserve for new developments – Shareholders' meeting held 06.19.14	-	-	-	-	-	-	-	-	-	(371,663)	(413,000)
Reserve for share-based compensation	-	-	-	-	-	-	-	21,999	-	-	-
Equity-settled compensation plan	680	(680)	-	-	7,233	4,177	-	(11,410)	-	-	-
Capital reduction	-	-	-	-	-	-	-	-	-	-	-
Changes in non-controlling interest	-	-	-	-	-	-	16,149	-	-	-	-
Reimbursement of expired dividends	-	-	-	-	-	-	-	-	-	-	-
Distribution of dividends of	-	-	-	-	-	-	-	-	-	-	-

subsidiaries												
Capital contribution of non-controlling interest	-	-	-	-	-	-	-	-	-	-	-	-
Balance at June 30, 2015	574,451	4,225	123,329	793,123	7,233	(33,729)	(5,659 )	63,824	116,840	3,824	-	-

The accompanying notes are an integral part of these Consolidated Financial Statements.

- (1) Related to CNV General Resolution N° 609/12. See Note 29.
- (2) Includes Ps. 901 of Inflation adjustment treasury stock. See Note 29.

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## IRSA Inversiones y Representaciones Sociedad Anónima

Consolidated statements of changes in shareholders' equity  
for the fiscal years ended June 30, 2015, 2014 and 2013

(All amounts in thousands of Argentine Pesos, except shares and per share data and as otherwise indicated)

	Attributable to equity holders of the parent									
	Share	Treasury	Inflation	Share	Cost of	Changes	Reserve	Legal	Special	Reserve
	capital	stock	adjustment	premium	treasury	in	for	reserve	reserve	for new
			of		stock	non-control	share-based	reserve	(1)	developm
		stock (2)	share			interest	compensation			
Balance at July 1st, 2013	578,676	-	123,329	793,123	-	(20,782)	8,258	85,140	395,249	492,441
Loss for the year	-	-	-	-	-	-	-	-	-	-
Other comprehensive income for the year	-	-	-	-	-	-	-	-	-	-
Total comprehensive income for the year	-	-	-	-	-	-	-	-	-	-
Distribution of retained earnings approved by Shareholders' meeting held 10.31.13	-	-	-	-	-	-	-	31,700	(19,762)	-
Reversal of reserve for new developments – approved by Shareholders' meeting held 10.31.13	-	-	-	-	-	-	-	-	-	(22,610)
Dividends distribution – approved by Shareholders' meeting held 10.31.13	-	-	-	-	-	-	-	-	-	-
Reversal of reserve for new developments – approved by Shareholders' meeting held 06.19.14	-	-	-	-	-	-	-	-	-	(56,625)
	-	-	-	-	-	-	44,977	-	-	-

Reserve for share-based compensation (Note 26)										
Purchase of Treasury stock	(4,905 )	4,905	-	-	(37,906)	-	-	-	-	-
Distribution of share capital of subsidiaries	-	-	-	-	-	-	-	-	-	-
Changes in non-controlling interest (Note 3)	-	-	-	-	-	(1,026 )	-	-	-	-
Reimbursement of expired dividends	-	-	-	-	-	-	-	-	-	-
Dividends distribution – approved by Shareholders’ meeting held 06.19.2014	-	-	-	-	-	-	-	-	-	-
Dividends distributed by subsidiaries	-	-	-	-	-	-	-	-	-	-
Capital contribution of non-controlling interest	-	-	-	-	-	-	-	-	-	-
Balance at June 30, 2014	573,771	4,905	123,329	793,123	(37,906)	(21,808)	53,235	116,840	375,487	413,206

The accompanying notes are an integral part of these Consolidated Financial Statements.

(1) Related to CNV General Resolution N° 609/12. See Note 29.

(2) Includes Ps. 1,045 of Inflation adjustment treasury stock. See Note 29.

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## IRSA Inversiones y Representaciones Sociedad Anónima

Consolidated statements of changes in shareholders' equity  
for the fiscal years ended June 30, 2015, 2014 and 2013

(All amounts in thousands of Argentine Pesos, except shares and per share data and as otherwise indicated)

	Attributable to equity holders of the parent						Special reserve (1)	Reserve for new developments	Cumulative translation adjustment	Retained earnings / Accumulated deficit	Su
	Share capital	Inflation adjustment of share capital	Share premium	Changes in non-controlling interest	Reserve for long-term compensation	Legal reserve					
Balance at July 1st, 2012	578,676	274,387	793,123	(15,714)	2,595	71,136	-	419,783	14,502	510,853	2,
Profit for the year	-	-	-	-	-	-	-	-	-	238,737	23
Other comprehensive income for the year	-	-	-	-	-	-	-	-	49,189	-	49
Total comprehensive income for the year	-	-	-	-	-	-	-	-	49,189	238,737	28
Appropriation of retained earnings approved by Shareholders' meeting held 10.31.12	-	-	-	-	-	14,004	-	72,658	-	(86,662)	-
Reclassification of the deferred tax liability – Approved by Shareholders' meeting held 10.31.12	-	(151,058)	-	-	-	-	-	-	-	151,058	-
Dividends distribution – approved by Shareholders' meeting held 10.31.12	-	-	-	-	-	-	-	-	-	(180,000)	(1
Dividends distribution of non-controlling interest	-	-	-	-	-	-	-	-	-	-	-
Acquisition of non-controlling	-	-	-	-	-	-	-	-	-	-	-

interest by business combination (Note 3)												
Cumulative translation adjustment for interest held before business combination (Note 3)	-	-	-	-	-	-	-	-	(12,915)	-	(1)	
Distribution of share capital of subsidiaries	-	-	-	-	-	-	-	-	-	-	-	
Reserve for share-based compensation (Note 26)	-	-	-	-	5,663	-	-	-	-	-	5,	
Reallocation General Resolution N° 609/12	-	-	-	-	-	-	395,249	-	-	(395,249)	-	
Capital contribution of non-controlling interest	-	-	-	-	-	-	-	-	-	-	-	
Conversion of notes	-	-	-	-	-	-	-	-	-	-	-	
Changes in non-controlling interest	-	-	-	(5,068 )	-	-	-	-	-	-	(5	
Reimbursement of expired dividends	-	-	-	-	-	-	-	-	-	591	59	
Balance at June 30, 2013	578,676	123,329	793,123	(20,782)	8,258	85,140	395,249	492,441	50,776	239,328	2,	

The accompanying notes are an integral part of these Consolidated Financial Statements.

(1) Corresponds to CNV General Resolution N° 609/12. See Note 29.

## IRSA Inversiones y Representaciones Sociedad Anónima

## Consolidated statements of cash flows

for the fiscal years ended June 30, 2015, 2014 and 2013

(All amounts in thousands of Argentine Pesos, except shares and per share data and as otherwise indicated)

	Note	06.30.2015	06.30.2014	06.30.2013
<b>Operating activities:</b>				
Cash generated by operations before income tax paid	20	1,263,380	1,298,251	1,141,013
Income tax and Minimum Presumed Income tax paid		(429,492 )	(276,272 )	(277,640 )
Net cash generated by operating activities		833,888	1,021,979	863,373
<b>Investing activities:</b>				
Capital contributions in associates and joint ventures	8,9	(39,307 )	(20,059 )	(67,438 )
Purchases of associates and joint ventures	3,8,9	(1,241,562 )	(1,131,806 )	(25,899 )
Purchases of investment properties	10	(407,365 )	(264,853 )	(210,456 )
Proceeds from sale of investment properties		2,446,685	402,139	127,688
Purchases of property, plant and equipment	11	(47,788 )	(23,224 )	(13,415 )
Purchases of intangible assets	13	(4,668 )	(11,739 )	(800 )
Purchase of investments in financial assets		(2,933,606 )	(1,533,331 )	(950,913 )
Proceeds from sale of investments in financial assets		2,339,172	1,647,674	1,197,240
Advanced payments		(13,995 )	(29,647 )	(15,780 )
Proceeds from sale of joint ventures		55,843	22,754	-
Acquisition of subsidiaries, net of cash acquired	3	-	-	(117,874 )
Interest received		95,051	10,166	18,399
Loans granted to associates and joint ventures		-	(2,090 )	(41,591 )
Dividends received		12,873	16,896	54,246
Loans repayments received from associates and joint ventures		-	-	701
Net cash used in investing activities		261,333	(917,120 )	(45,892 )
<b>Financing activities:</b>				
Borrowings		606,258	501,770	646,750
Repayments of borrowings		(963,900 )	(446,164 )	(206,390 )
Payment of seller financing of shares		(105,861 )	(1,640 )	(10,910 )
Acquisition of non-controlling interest in subsidiaries		(5,750 )	(1,208 )	(4,062 )
Dividends paid	29	(69,200 )	(113,251 )	(239,652 )
Capital contribution of non-controlling interest		15,914	139,039	6,510
Interest paid		(546,916 )	(414,932 )	(269,785 )
Distribution of capital of subsidiaries		(228,101 )	(4,163 )	(152,102 )
Repurchase of treasury stock		-	(37,906 )	-
Payment of seller financing		(2,688 )	(1,871 )	(1,107 )
Acquisition of derivative financial instruments		(110,848 )	(37,961 )	-
Proceeds from derivative financial instruments		1,506	62,158	-
Issuance of non-convertible notes		-	218,262	-
Loans from associates and joint ventures		22,151	17,246	70,672
Payments of borrowings from subsidiaries, associates and joint ventures		(2,250 )	(188,906 )	-
Payment of non-convertible notes		-	(287,240 )	(146,192 )
Net cash used in financing activities		(1,389,685 )	(596,767 )	(306,268 )
Net (decrease) / increase in cash and cash equivalents		(294,464 )	(491,908 )	511,213



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Cash and cash equivalents at beginning of year	20	609,907	796,902	259,169
Foreign exchange on cash and cash equivalents		59,737	304,913	26,520
Cash and cash equivalents at end of the year	20	375,180	609,907	796,902

The accompanying notes are an integral part of these Consolidated Financial Statements.

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IRSA Inversiones y Representaciones Sociedad Anónima

1. The Group's business and general information

IRSA Inversiones y Representaciones Sociedad Anónima ("IRSA", "the Company" / "Us" or "the Society") 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". See Note 2.3 and 6 for a description of the Group's companies and segments.

The Group's real estate business operations are conducted primarily through IRSA and its principally subsidiary, IRSA Propiedades Comerciales ("IRSA CP" formerly Alto Palermo S.A.). Through IRSA and IRSA CP, the Group owns, manages and develops shopping centers across Argentina, a portfolio of office and other rental properties in the Autonomous City of Buenos Aires, and it entered the US real estate market in 2009, mainly through the acquisition of non-controlling interests in office buildings and hotels (see Note 3). 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 Consolidated Financial Statements to denote investment, development and/or trading properties activities.

During the fiscal year ended June 30, 2014, the Group made an investment in the Israeli market, through Dolphin Fund Ltd ("DFL") and Dolphin Netherlands B.V ("DN B.V" and together with DFL "Dolphin"), in an Israeli company, IDB Development Corporation Ltd. ("IDBD"), with an initial interest of 26.65%. As of June 30, 2015, the indirect interest in IDBD amounts to 49.0%. IDBD is one of the Israeli largest and most diversified investment groups, which is involved, through its subsidiaries, in several markets and industries, including real estate, retail, agribusiness, insurance, telecommunications, etc.; controlling or having non controlling interests in companies as: Clal Insurance (Insurance Company), Cellcom (Mobile phone services), Adama (Agrochemicals), Super-Sol (Supermarket), PBC (Real Estate), among others. IDBD is listed in Tel Aviv Stock Exchange ("TASE") since May, 2014.

The activities of the Group's segment "Financial operations and others" is carried out mainly through Banco Hipotecario S.A. ("BHSA"), where we have a 29.99% interest (without considering treasury shares of our own). 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 Buenos Aires Stock Exchange ("BASE"). Besides that, the Group has a 43.15% interest in Tarshop S.A ("Tarshop") which main activities are credit card and loan origination transactions.

IRSA's shares are listed and traded on both the BASE and the New York Stock Exchange ("NYSE"). IRSA CP shares are listed and traded on both the BASE and the NASDAQ.

IRSA Inversiones y Representaciones Sociedad Anónima

1. The Group's business and general information (Continued)

Cresud S.A.C.I.F. y A. ("Cresud") is our ultimate parent company and is a corporation incorporated and domiciled in Argentina. The address of its registered office is 877 Moreno St., Floor 23, Autonomous City of Buenos Aires, Argentina.

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

These Consolidated Financial Statements have been approved for issue by the Board of Directors on November 17, 2015.

2. Summary of significant accounting policies

2.1. Basis of preparation of the consolidated financial statement

(a) Basis of preparation

These Consolidated Financial Statements have been prepared in accordance with and in compliance with International Financial Reporting Standards ("IFRS"), issued by International Accounting Standards Board ("IASB") and interpretations from International Financial Reporting Interpretation Committee ("CINIIF" as per its Spanish acronym) ("IFRIC" as per its English acronym and known before as the Standards Interpretation Committee "SIC" as per its English acronym). All IFRS applicable as of the date of these consolidated financial statements have been applied. The Group adopted IFRS in the fiscal year beginning on July 1st, 2012, being its transition date July 1st, 2011.

(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.

The operating cycle for activities related to the Group's investment property and hotels is 12 months. Therefore, 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. The operating cycle of the Group's trading property activities depends on each specific project, and a common cycle for all trading activities cannot be clearly defined. Generally, assets and liabilities related to the trading property activities are realized and settled in several years, ranging from 1 to 3 years or in some exceptional cases even longer. As a result, and for purposes of classification, the Group has assumed the operating cycle of its trading property activities to be 12 months.

IRSA Inversiones y Representaciones Sociedad Anónima

2. Summary of significant accounting policies (Continued)

(b) Current and non-current classification  
(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 thousands of Argentine Pesos. Unless otherwise stated or the context otherwise requires, references to 'Peso amounts' or 'Ps.', are to Argentine Pesos, and references to 'US\$' or 'US dollars' are to United States dollars.

(d) Fiscal year-end

The fiscal year begins on July 1st and ends on June 30 of the following year.

(e) Accounting conventions

The consolidated financial statements have been prepared under the historical cost convention, as modified by financial assets and financial liabilities (including derivative instruments) at fair value through profit or loss 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 because 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.



IRSA Inversiones y Representaciones Sociedad Anónima

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.

Amendments to IFRS 11 “Joint Arrangements”

On May 6, 2014, the IASB Board has released amendments to IFRS 11 “Joint Arrangements”, entitled “Accounting for acquisition of interests in joint operations (Amendment to IFRS 11)”. The amendments clarify accounting for such acquisitions where the business involves joint operations. Amendments become effective for the fiscal years beginning on or after January 1, 2016. It may be applied earlier. The Company has not yet assessed the impact that this standard shall have on its financial position and the results of its operations

Amendments to IAS 16 “Property, Plant and Equipment” and IAS 38 “Intangible Assets”

On May 12, 2014, the IASB has released amendments to the IAS 16 “Property, Plant and Equipment” and IAS 38 “Intangible assets” denominated “Clarification of acceptable methods of depreciation and amortization” (Amendments to IAS 16 and IAS 38)”. The amendments provide further guidance on the calculation of depreciation and amortization of property, plant and equipment and intangible assets. Amendments become effective for the fiscal years beginning on or after January 1, 2016. It may be applied earlier. The Company has not yet assessed the impact that this standard shall have on its financial position and the results of its operations

IFRS 15 “Revenues from contracts with customers”

On May 28, 2014, the IASB has published the new IFRS 15 “Revenue from contracts with customers” (IFRS 15) that replaces IAS 11 “Construction contracts”, IAS 18 “Revenue from ordinary operating activities”, 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”. IFRS 15 provides the new revenue recognition model derived from contracts with customers. The core principle underlying the model is satisfaction of obligations assumed with customers. IFRS 15 bases this principle on a single, five-step model that is developed extensively and in detail, including examples.

The new model of ordinary income 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, 2017 and may be adopted earlier. Application is retroactive. On the balance sheet date, the Company has not yet assessed the impact that this standard shall have on its financial position and the results of its operations.



IRSA Inversiones y Representaciones Sociedad Anónima

2. Summary of significant accounting policies (Continued)

2.2. New accounting standards (Continued)

IFRS 9 “Financial Instruments”

On July 24, 2014, the IASB released the final version of IFRS 9 “Financial instruments”, which includes in one single standard all stages of the IASB project to replace IAS 39 “Financial instruments: Recognition and measurement”. Such stages are classification and measurement of financial instruments, impairment and accounting for hedging. This version adds a new impairment model based on expected losses and introduces some minor amendments to the classification and measurement of financial assets. The new standard replaces all previous versions of IFRS 9 and becomes effective for fiscal years starting on or after January 1st, 2018. It may be applied earlier.

The Group has adopted the first stages of IFRS 9 to the transition date.

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 1st, 2016. It may be applied earlier.

Amendments to IFRS 10 “Consolidated Financial Statements” and IAS 28 “Investments in Associates and Joint Ventures” – Treatment afforded to sales or contributions of assets between an investor and its associate or joint venture

In September 2014, the IASB has released amendments to IFRS 10 “Consolidated Financial Statements” and IAS 28 “Investments in Associates and Joint Ventures”. The first amendment adds guidance on how to treat losses of control in subsidiaries that does not contain a business as established by IFRS 3 “Business combinations”, thus limiting the amount that may be reclassified from other comprehensive income to income for the year solely to the participation of other investors not related to the investor; it further provides how the residual participation in these investments should be valued, after such loss of control. In the second case, the modifications refer to the recognition of profits and losses resulting from upstream and downstream transactions, between an entity and its associates or joint ventures, when they involve assets that may constitute or not a business, as such is defined in IFRS 3.

Amendments become effective for fiscal years beginning on or after January 1st, 2016. The Group is currently assessing the potential impact of the amendments on its financial statements.



IRSA Inversiones y Representaciones Sociedad Anónima

2. Summary of significant accounting policies (Continued)

2.2. New accounting standards (Continued)

Cycle of annual improvements to IFRS: Amendments to IFRS 5 “Non-current Assets Held for Sale and Discontinued Operations”; IFRS 7 “Financial Instruments: Disclosures” and IAS 34 “Interim Financial Reporting”

In September 2014, the IASB, in its cycle of annual improvements, has released amendments to the following standards:

- 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.
- 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.
- IAS 34 “Interim Financial Reporting”: It clarifies that supplementary information included in interim financial statements through cross reference with other statements or reference information should be available contemporaneously with such interim financial statements.

The amendments become effective for the fiscal years beginning on January 1, 2016. The Group is currently assessing the potential impact of the amendments on its financial statements.

Amendments to IFRS 10, IFRS 12 and IAS 28 – Investment Entities: Applying the Consolidation Exception:

In December 2014, the IASB has released amendments to IFRS 10 “Consolidated Financial Statements”; IFRS 12 “Disclosure of Interests in Other Entities” and IAS 28 “Investments in Associates and Joint Ventures”. These amendments refer to the treatment of the consolidation exception in the case of financial entities that measure all their investments in subsidiaries at fair value and for other entities covered by the standard.

Amendments become effective for fiscal years beginning on January 1st, 2016. The Group is currently assessing the potential impact of the amendments on its financial statements.

IRSA Inversiones y Representaciones Sociedad Anónima

2. Summary of significant accounting policies (Continued)

2.2. New accounting standards (Continued)

Amendments to IAS 1 – Presentation of Financial Statements

In December 2014, the IASB has released amendments to IAS 1 “Presentation of Financial Statements”. These 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.

Amendments become effective for fiscal years beginning on January 1, 2016. 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.

There may be de-facto control where the relative size of voting rights held by the Group in an entity in relation to the size and dilution of other shareholders gives the Group power to define the relevant activities of such entity.

Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

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. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. 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.

IRSA Inversiones y Representaciones Sociedad Anónima

2. Summary of significant accounting policies (Continued)

2.3. Scope of consolidation (Continued)

(a) Subsidiaries (Continued)

IFRS 3 “Business combinations” allows up to 12 months finalizing the accounting for a business combination. Where the accounting for a business combination is not complete by the end of the reporting period in which the business combination occurred, the Group reports provisional amounts.

The Group has elected to recognize acquisition of assets or group of assets carried out between entities under common control who also qualify as “Business Combination” according to IFRS 3, using acquisition method.

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 acquire’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”.

Inter-company transactions, balances and unrealized gains on transactions between group companies are eliminated. Unrealized gains and/ or losses are also eliminated. Accounting policies of subsidiaries are changed where necessary to ensure consistency with the policies adopted by the Group. The majority of subsidiaries have the same year-end as the Group’s, however, a small number of subsidiaries have different year-ends. In these circumstances, special-purpose financial statements prepared as of June 30 of each year are used for purposes of the Group consolidation.

The Group conducts its business through several operating and holding subsidiaries. Unless otherwise stated, the subsidiaries listed below have share capital consisting solely of ordinary shares, which are held directly or indirectly by the Group and the proportion of ownership interests held equals to the voting rights held by the Group. The country of incorporation or registration is also their place of business. Subsidiaries are shown in alphabetical order.

Ownership interest is shown considering ultimate percentage held by the Company. Subsidiaries are either controlled directly by the Company (i.e. IRSA CP), or indirectly by controlling the direct subsidiary, which in turn controls a first-tier subsidiary (i.e. Panamerican Mall S.A. through IRSA CP, that has an interest of 80%).

## IRSA Inversiones y Representaciones Sociedad Anónima

## Notes to Consolidated Financial Statements (Continued)

(All amounts in thousands of Argentine Pesos, except shares and per share data and as otherwise indicated)

Name of the entity	Place of business / country of incorporation	Main activities (*)	June 30, 2015		June 30, 2014		June 30, 2013	
			% of ownership interest held by the Group	% of ownership interest held by the NCI (5)	% of ownership interest held by the Group	% of ownership interest held by the NCI (5)	% of ownership interest held by the Group	% of ownership interest held by the NCI (5)
Direct equity interest of IRSA:								
IRSA CP	Argentina	Real estate	95.80 %	4.20 %	95.71 %	4.29 %	95.68 %	4.32 %
E-Commerce								
Latina S.A. (4)	Argentina	Investment	100.00 %	-	100.00 %	-	100.00 %	-
Efanur S.A.	Uruguay	Investment	100.00 %	-	100.00 %	-	100.00 %	-
Hoteles Argentinos S.A.								
S.A.	Argentina	Hotel	80.00 %	20.00 %	80.00 %	20.00 %	80.00 %	20.00 %
Inversora Bolívar S.A.								
S.A.	Argentina	Investment	100.00 %	-	100.00 %	-	100.00 %	-
Llao Llao Resorts S.A. (1)								
S.A.	Argentina	Hotel	50.00 %	50.00 %	50.00 %	50.00 %	50.00 %	50.00 %
Nuevas Fronteras S.A.								
S.A.	Argentina	Hotel	76.34 %	23.66 %	76.34 %	23.66 %	76.34 %	23.66 %
Palermo Invest S.A.								
S.A.	Argentina	Investment	100.00 %	-	100.00 %	-	100.00 %	-
Ritelco S.A.								
S.A.	Uruguay	Investment	100.00 %	-	100.00 %	-	100.00 %	-
Solares de Santa María S.A.								
S.A.	Argentina	Real estate	100.00 %	-	100.00 %	-	100.00 %	-
Tyrus S.A.								
S.A.	Uruguay	Investment	100.00 %	-	100.00 %	-	100.00 %	-
Unicity S.A.								
S.A.	Argentina	Investment	100.00 %	-	100.00 %	-	100.00 %	-
Interest indirectly held through IRSA CP:								
Arcos del Gourmet S.A.								
S.A.	Argentina	Real estate	86.22 %	13.78 %	86.14 %	13.86 %	86.12 %	13.88 %
Emprendimiento Recoleta S.A.								
S.A.	Argentina	Real estate	51.43 %	48.57 %	51.38 %	48.62 %	51.36 %	48.64 %
Fibesa S.A.								
S.A.	Argentina	Real estate	95.80 %	4.20 %	95.71 %	4.29 %	95.68 %	4.32 %
Panamerican Mall S.A.								
S.A.	Argentina	Real estate	76.64 %	23.36 %	76.57 %	23.43 %	76.55 %	23.45 %
Shopping Neuquén S.A.								
S.A.	Argentina	Real estate	95.38 %	4.62 %	94.95 %	5.05 %	94.80 %	5.20 %

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Torodur S.A.	Uruguay	Investment	95.80 %	4.20 %	95.71 %	4.29 %	95.68 %	4.32 %
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## IRSA Inversiones y Representaciones Sociedad Anónima

## Notes to Consolidated Financial Statements (Continued)

(All amounts in thousands of Argentine Pesos, except shares and per share data and as otherwise indicated)

## 2. Summary of significant accounting policies (Continued)

## 2.3. Scope of consolidation (Continued)

## (a) Subsidiaries

Name of the entity	Place of business / country of incorporation	Main activities (*)	June 30, 2015		June 30, 2014		June 30, 2013	
			% of ownership interest held by the Group	% of ownership interest held by the NCI (5)	% of ownership interest held by the Group	% of ownership interest held by the NCI (5)	% of ownership interest held by the Group	% of ownership interest held by the NCI (5)
Interest indirectly held through Tyrus S.A.:								
Dolphin Fund Ltd								
(2) (3)	Bermuda	Investment	91.57 %	8.43 %	86.16 %	13.84 %	99.39 %	0.61 %
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								
LP ("REIG")	Bermuda	Investment	64.01 %	35.99 %	64.01 %	35.99 %	64.01 %	35.99 %
Real Estate								
Investment Group								
II LP	Bermuda	Investment	80.54 %	19.46 %	80.54 %	19.46 %	80.54 %	19.46 %
Real Estate								
Investment Group								
III LP (3)	Bermuda	Investment	81.19 %	18.81 %	81.19 %	18.81 %	81.19 %	18.81 %
Real Estate	Bermuda	Investment	100.00 %	-	100.00 %	-	100.00 %	-
Investment Group								

IV LP										
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 %		

(\*)Substantially all holding companies do not have significant assets and liabilities other than their respective interest holdings in operating entities.

- (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) The Group has consolidated its indirect interest in Dolphin Fund Ltd. (DFL) considering its exposure to variable returns coming from its investment in DFL and the nature of the relationship between the Group and the shareholders with right to vote of DFL.
- (3) Includes interest indirectly held through Ritelco S.A..
- (4) Includes interest indirectly held through Tyrus S.A..
- (5) Non controlling interest (NCI).

IRSA Inversiones y Representaciones Sociedad Anónima

Notes to Consolidated Financial Statements (Continued)

(All amounts in thousands of Argentine Pesos, except shares and per share data and as otherwise indicated)

## 2. Summary of significant accounting policies (Continued)

### 2.3. Scope of consolidation (Continued)

#### (a) Subsidiaries

The Group takes into account both quantitative and qualitative aspects in order to determine which non-controlling interests in subsidiaries are considered significant. In quantitative terms, the Group considers significant those that individually represent at least 20% of the total equity attributable to non-controlling interest in subsidiaries at the each year end. Therefore, in qualitative terms, are considered, among other factors, the specific risks to which each company is exposed to, their returns and the importance that each of them has for the Group.

Summarized financial information on subsidiaries with material non-controlling interests and other information are included in Note 7.

#### (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.

#### (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.





IRSA Inversiones y Representaciones Sociedad Anónima

Notes to Consolidated Financial Statements (Continued)

(All amounts in thousands of Argentine Pesos, except shares and per share data and as otherwise indicated)

2. Summary of significant accounting policies (Continued)

(d) Associates (Continued)

If the ownership interest in an associate is reduced but significant influence is retained, only a proportionate share of the amounts previously recognized in other comprehensive income is reclassified to profit or loss where appropriate.

The Group's share of post-acquisition profit or loss is recognized in the statement of income, and its share of post-acquisition movements in other comprehensive income is recognized in other comprehensive income with a corresponding adjustment to the carrying amount of the investment. When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivable, the Group recognizes such losses until the carrying amount of the associate reduces to zero, unless it has incurred legal or constructive obligations or made payments on behalf of the associate.

The Group determines at each reporting date whether there is any objective evidence that the investment in the associate is impaired. If this is the case, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value and recognizes the amount adjacent to 'Share of profit / (loss) of an associate and joint ventures' in the statement of income.

Profits and losses resulting from upstream and downstream transactions between the Group and its associate are recognized in the Group's financial statements only to the extent of unrelated investor's interests in the associates. Unrealized losses are eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates have been changed where necessary to ensure consistency with the policies adopted by the Group.

For purposes of including the earnings of associates by applying the equity method, the Group uses financial statements of the associates as of the same date or a later date, provided the difference between the reporting date of the associate and that of the Group cannot be longer than three months. In these cases, the Group assesses and adjusts the results of such associates for material transactions or other material events occurred during the interim period.

The Group takes into account both quantitative and qualitative aspects in order to determine which interests in associates are considered significant. In quantitative terms, the Group considers significant the entities that individually represent at least 20% of result from interest in associates in the Consolidated Statement of Income and, simultaneously, at least 20% of the total investment in associates in the statement of financial position at the each year end. Therefore, in qualitative terms, are considered, among other factors, the specific risks to which each company is exposed to, their returns and the importance that each of them has for the Group.

IRSA Inversiones y Representaciones Sociedad Anónima

Notes to Consolidated Financial Statements (Continued)

(All amounts in thousands of Argentine Pesos, except shares and per share data and as otherwise indicated)

2. Summary of significant accounting policies (Continued)

(d) Associates (Continued)

As indicated above, the Group generally accounts for its investments in associates under the equity method. However, 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.

Summarized financial information and other information for Group’s associates are included in Note 9.

(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.

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 of profits or losses and movements in other comprehensive income in the income statements and in other comprehensive income respectively.

When the Group’s share of losses in a joint venture equals or exceeds its interests in the joint ventures (which includes any long-term interests that, in substance, form part of the Group’s net investment in the joint ventures), the Group does not recognize further losses, unless it has incurred obligations or made payments on behalf of the joint ventures.

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 an associate and joint venture’ in the statement of income.



IRSA Inversiones y Representaciones Sociedad Anónima

Notes to Consolidated Financial Statements (Continued)

(All amounts in thousands of Argentine Pesos, except shares and per share data and as otherwise indicated)

2. Summary of significant accounting policies (Continued)

(e) Joint ventures (Continued)

Unrealized gains on transactions between the Group and its joint ventures are eliminated to the extent of the Group's interest in the joint ventures. Unrealized losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of the joint ventures have been changed where necessary to ensure consistency with the policies adopted by the Group.

The Group takes into account both quantitative and qualitative aspects in order to determine which interests in joint ventures are considered significant. In quantitative terms, the Group considers significant the entities that individually represent at least 20% of result from interest in joint ventures in the Consolidated Statement of Income and, simultaneously, at least 20% of the total investment in joint ventures in the statement of financial position at the each year end.

Therefore, in qualitative terms, are considered, among other factors, the specific risks to which each company is exposed to, their returns and the importance that each of them has for the Group.

Summarized financial information and other information for significant joint ventures are included in Note 8.

2.4. Segment information

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker ("CODM"). The CODM is responsible for allocating resources and assessing performance of the operating segments. 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.

IRSA Inversiones y Representaciones Sociedad Anónima

Notes to Consolidated Financial Statements (Continued)

(All amounts in thousands of Argentine Pesos, except shares and per share data and as otherwise indicated)

2. Summary of significant accounting policies (Continued)

2.5. Foreign currency translation (Continued)

(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 denominated 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 as explained in Note 2.21..

(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 and liabilities 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.

On the disposal of a foreign operation (that is, a disposal of the Group's entire interest in a foreign operation, or a disposal involving loss of control over a subsidiary that includes a foreign operation) all of the exchange differences accumulated in equity in respect of that operation attributable to the equity holders of the Company are reclassified to profit or loss.

In the case of a partial disposal that does not result in the Group losing control over a subsidiary that includes a foreign operation, the proportionate share of accumulated exchange differences are re-attributed to non-controlling interests and are not recognized in profit or loss.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate. Exchange differences arising are recognized in other comprehensive income.



IRSA Inversiones y Representaciones Sociedad Anónima

Notes to Consolidated Financial Statements (Continued)

(All amounts in thousands of Argentine Pesos, except shares and per share data and as otherwise indicated)

2. Summary of significant accounting policies (Continued)

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. Properties occupied by associates or joint ventures are accounted for as investment properties in the consolidated financial statements. 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.

Where a property is partially occupied by the Group, with the rest being held for rental income or capital appreciation, the Group accounts for the portions separately. The portion that is occupied by the Group is accounted for as property, plant and equipment under IAS 16 “Property, Plant and Equipment” and the portion that is held for rental income or capital appreciation, or both, is treated as investment properties under IAS 40 “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, such as legal fees, certain direct taxes, commissions and in the case of properties under construction, the capitalization of financial costs.

For properties under development, capitalization of costs includes not only financial costs, but also all costs directly attributable to works in process, from commencement of construction until it is completed and property is in conditions to start operating. Capitalized costs include mainly the part attributable to third-party service costs, as well as the materials necessary for construction. Capitalization of such costs ceases when the property reaches the operating conditions indicated above.

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.



IRSA Inversiones y Representaciones Sociedad Anónima

Notes to Consolidated Financial Statements (Continued)

(All amounts in thousands of Argentine Pesos, except shares and per share data and as otherwise indicated)

## 2. Summary of significant accounting policies (Continued)

### 2.6. Investment properties (Continued)

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

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. Under the cost model, an investment property is impaired if its carrying amount exceeds its recoverable amount. 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.

These costs may include the cost of improving or replacing parts that are eligible for capitalization. The carrying amount of the replaced part is derecognized. Repairs and maintenance are charged as incurred in the statement of income.

If an investment property becomes occupied by the Group, it is reclassified as property, plant and equipment at the commencement of such occupation. An item of property occupied by the Group is reclassified to investment property when its use has changed and occupation by the Company ceases. Where an investment property undergoes a change in use, evidenced by commencement of development with a view to sale, the property is transferred to trading properties.

Transfers in and out of the respective categories as described above do not change the carrying amount of the properties transferred, and they do not change the cost of the properties for measurement or disclosure purposes.

IRSA Inversiones y Representaciones Sociedad Anónima

Notes to Consolidated Financial Statements (Continued)

(All amounts in thousands of Argentine Pesos, except shares and per share data and as otherwise indicated)

## 2. Summary of significant accounting policies (Continued)

### 2.6. Investment properties (Continued)

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, 2015 is as follows:

Shopping center portfolio	Between 3 and 25 years
Office and other rental properties	Between 9 and 29 years

As of each year-end an impairment test is performed on the recoverable value and/or residual useful life of assets. If there are 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, 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 the asset's carrying amount is greater than its estimated recoverable amount (See Note 2.10.).

Asset transfers, whether assets classified under investments properties are reclassified under other items or vice-versa, may only be carried out where there is a change of use evidenced by: a) commencement of occupation of real property by the owner, where investment property is transferred to property, plant and equipment; b) commencement of development activities for sale purposes, where investment property is transferred to property for sale; c) the end of owner occupation, where it is transferred from property, plant and equipment to investment property; or d) commencement of an operating lease transactions with a third party, where property for sale is transferred to investment property.

The Group may sell its investment property when it considers that such property no longer forms part of the lease business. 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. As for unconditional agreements, proceeds are accounted for generally when title to property passes to the buyer and the buyer intends to make the respective payment therefor. In the case of conditional agreements, the sale is accounted for where such conditions have been met. Where consideration receivable for the sale of the properties is deferred, it is discounted to present. The difference between the discounted amount and the amount receivable is treated as interest income and recognized over the period using the effective interest method.



IRSA Inversiones y Representaciones Sociedad Anónima

Notes to Consolidated Financial Statements (Continued)

(All amounts in thousands of Argentine Pesos, except shares and per share data and as otherwise indicated)

2. Summary of significant accounting policies (Continued)

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, 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".

All property, plant and equipment ("PPE") are stated at acquisition cost less depreciation and accumulated impairment, if any. El 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.

Capitalized costs include mainly the part attributable to third-party service costs, as well as the materials necessary for construction. Capitalization of such costs ceases when the property reaches the operating conditions indicated above.

Borrowing costs incurred for the purpose of acquiring, constructing or producing a qualifying PPE are capitalized as part of its cost. A qualifying PPE is an asset that necessarily takes a substantial period of time to get ready for its intended use. Borrowing costs are capitalized during the period of construction or production of the eligible asset; such capitalization ceases once the necessary activities for the asset to have the intended use have been completed, or else capitalization is suspended while construction activity is suspended.

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, 2015 is as follows:

Hotels buildings and facilities	Between 14 and 24 years
Other buildings and facilities	Between 15 and 30 years
Furniture and fixtures	10 years
Machinery and equipment	Between 3 and 10 years
Vehicles	5 years



IRSA Inversiones y Representaciones Sociedad Anónima

Notes to Consolidated Financial Statements (Continued)

(All amounts in thousands of Argentine Pesos, except shares and per share data and as otherwise indicated)

2. Summary of significant accounting policies (Continued)

2.7. Property, plant and equipment (Continued)

As of each year-end an impairment test is performed on the recoverable value and/or residual useful life of assets. If there are 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. On the balance sheet date, the residual useful life of assets is estimated and adjusted, if necessary.

An asset's carrying amount is written down immediately to its recoverable amount if its carrying amount is greater than its estimated recoverable amount (See Note 2.10.).

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 income statement.

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 2.27 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.



IRSA Inversiones y Representaciones Sociedad Anónima

Notes to Consolidated Financial Statements (Continued)

(All amounts in thousands of Argentine Pesos, except shares and per share data and as otherwise indicated)

2. Summary of significant accounting policies (Continued)

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.

At acquisition goodwill is allocated to those cash generating units expected to benefit from the acquisition for the purpose of impairment testing (see Note 2.10). Following initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill arising on the acquisition of subsidiaries is included within “Intangible assets” in the statement of financial position.

Goodwill may also arise upon investments in associates and joint ventures, being the surplus of the cost of investment over the Group’s share of the fair value of the net identifiable assets. Such goodwill is recorded within investments in associates or joint ventures.

Goodwill arising on the acquisition of foreign entities is treated as an asset of the foreign entity denominated in the local currency and translated at the closing rate.

Goodwill is not amortized but tested for impairment on an annual basis, or more frequently if there is an indication of impairment.

(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. Development costs that are directly attributable to the design and testing of identifiable and unique software products controlled by the Group are recognized as intangible assets when the following criteria are met: (i) it is technically feasible to complete the software product so that it will be available for use; (ii) management intends to complete the software product and use or sell it; (iii) there is an ability to use or sell the software product; (iv) it can be demonstrated how the software product will generate probable future economic benefits; (v) adequate technical, financial and other resources to complete the development and to use or sell the software product are available; and (vi) the expenditure attributable to the software product during its development can be reliably measured.



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IRSA Inversiones y Representaciones Sociedad Anónima

Notes to Consolidated Financial Statements (Continued)

(All amounts in thousands of Argentine Pesos, except shares and per share data and as otherwise indicated)

2. Summary of significant accounting policies (Continued)

2.9. Intangible assets (Continued)

(b) Computer software (Continued)

Directly attributable costs that are capitalized as part of the software product include the software development employee costs and an appropriate portion of relevant overheads.

Other development expenditures that do not meet these criteria are recognized as an expense as incurred. Development costs previously recognized as an expense are not recognized as an asset in a subsequent period.

Computer software development costs recognized as assets are amortized over their estimated useful lives, which does not exceed 3 years.

(c) Rights of use

The Group acquired certain rights to develop land and facilities for a determined period. These rights primarily comprise the right to develop the land and attached buildings and facilities known as Distrito Arcos (“Distrito”).

The Distrito land and attached facilities is owned by the Administration of Railway Infrastructure (“ADIF”), a governmental agency created for the management of certain State’s Properties, particularly assets pertaining to the railway system. The Arcos (or “Arches”) are the old warehouse and adjacent spaces below the tracks of the San Martin railway lines. The right was acquired as part of the Arcos acquisition and is carried at acquisition cost less accumulated amortization. Amortization is calculated using the straight-line method over the period in which the economic benefits from the use of the asset. The Group must pay ADIF a fee on a monthly basis.

(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 Consolidated Financial Statements (Continued)

(All amounts in thousands of Argentine Pesos, except shares and per share data and as otherwise indicated)

2. Summary of significant accounting policies (Continued)

2.10. Impairment of assets

(a) Goodwill

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) Property, plant and equipment, investment property and finite-life intangible assets

At the date of each statements of financial position, the Group reviews the carrying amounts of its property, plant and equipment, investment property and finite-life 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. Where the asset does not generate cash flows that are independent from other assets, the Group estimates the recoverable amount of the CGU to which the asset belongs.

If the recoverable amount of an asset or CGU is estimated to be less than its carrying amount, the carrying amount of the asset or CGU is reduced to its recoverable amount. An impairment loss is recognized immediately in the statements of income.

Assets or CGU that have suffered an impairment loss are revised as of each balance sheet date to assess a potential reversal of such impairment. The impairment loss recognized in prior fiscal years may only be reversed if there has been a change in the estimates used to assess the recoverable value of assets or the CGU since the recognition of the impairment loss.

IRSA Inversiones y Representaciones Sociedad Anónima

Notes to Consolidated Financial Statements (Continued)

(All amounts in thousands of Argentine Pesos, except shares and per share data and as otherwise indicated)

2. Summary of significant accounting policies (Continued)

2.10. Impairment of assets (Continued)

(b) Property, plant and equipment, investment property and finite-life intangible assets (Continued)

Where an impairment loss subsequently reverses the carrying amount of the asset or CGU is increased to the revised estimate of its recoverable amount, not to exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset or CGU in prior years. A reversal of an impairment loss is recognized immediately in the statements of income.

2.11. 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.

Borrowing costs incurred for the purpose of acquiring, constructing or producing a qualifying trading property are capitalized as part of its cost. A qualifying trading property is an asset that necessarily takes a substantial period of time to get ready for its intended use. Borrowing costs are capitalized while acquisition, construction or production is actively underway and cease once the asset is substantially complete or suspended if the development of the asset is suspended.

Net realizable value is the estimated selling price in the ordinary course of business less costs to complete redevelopment and selling expenses. If the net realizable value is lower than the carrying amount, a write-down is recognized for the amount by which the carrying amount exceeds its net realizable value. Write-downs are reversed when circumstances that caused the write-down cease to exist, or when net realizable value increases.

2.12. Inventories

Inventories primarily comprise supplies from hotel properties and other supplies and materials required to offer different services.

IRSA Inversiones y Representaciones Sociedad Anónima

Notes to Consolidated Financial Statements (Continued)

(All amounts in thousands of Argentine Pesos, except shares and per share data and as otherwise indicated)

2. Summary of significant accounting policies (Continued)

2.12. Inventories (Continued)

Consumable supplies and inventories from hotel operations and the rest of materials and assets classified in this category are measured at the lower of cost or net realizable value. The cost of consumable supplies, materials and other assets is determined using the weighted average cost method, whereas the cost of the hotel inventories is determined using 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.

2.13. Financial instruments

(a) Classification

Accordingly with previous versions to the IFRS 9 (see Note 2.2) the Group classifies its financial assets in the following two 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.

Debt investments

(i) Financial assets at amortized cost

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.

As of June 30, 2015 and 2014, the Group’s financial assets at amortized cost comprise items of cash, trade and other receivables and investments in financial assets.

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Notes to Consolidated Financial Statements (Continued)

(All amounts in thousands of Argentine Pesos, except shares and per share data and as otherwise indicated)

2. Summary of significant accounting policies (Continued)

2.13. Financial instruments (Continued)

(ii) Financial assets at fair value through profit or loss

If either of the two criteria above 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 (except for the derivative financial instruments mentioned in Note 2.14) are recorded within “Financial results, net” in the statements of income.

As of June 30, 2015 and 2014, the Group’s financial assets at fair value through profit or loss comprise derivative financial instruments, mutual funds, government bonds and public companies.

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.

Changes in fair values and gains from disposal of equity investments at fair value through profit or loss and dividends income are recorded within “Financial results, net” in the statements of income.

(b) Recognition and measurement

Regular purchases and sales of financial assets are recognized on the date on which the Group commits to purchase or sell the asset. Financial assets are derecognized when the rights to receive cash flows from the investments have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership.

IRSA Inversiones y Representaciones Sociedad Anónima

Notes to Consolidated Financial Statements (Continued)

(All amounts in thousands of Argentine Pesos, except shares and per share data and as otherwise indicated)

2. Summary of significant accounting policies (Continued)

2.13. Financial instruments (Continued)

Equity investments (Continued)

(b) Recognition and measurement (Continued)

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 through 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.

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.

All equity investments, which are not subsidiaries, associate companies and joint venture of the Group, are measured at fair value.

The Group is required to reclassify all affected debt investments when and only when its business model for managing those assets changes.

(c) Impairment of financial assets

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) can be reliably estimated.

Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganization, and where observable data indicate that there is a measurable decrease in the estimated future cash flows.





IRSA Inversiones y Representaciones Sociedad Anónima

Notes to Consolidated Financial Statements (Continued)

(All amounts in thousands of Argentine Pesos, except shares and per share data and as otherwise indicated)

2. Summary of significant accounting policies (Continued)

2.13. Financial instruments (Continued)

Equity investments (Continued)

(c) Impairment of financial assets (Continued)

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. The carrying amount of the asset is reduced and the amount of the loss is recognized in the statements of income. As a practical expedient, the Group may measure impairment on the basis of an instrument's fair value using an observable market price. If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the reversal of the previously recognized impairment loss is recognized in the consolidated statements of income.

(d) Offsetting financial instruments

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.

2.14. Derivative financial instruments and hedging activities

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 contracts and interest rate swaps as deemed appropriate.

The Group's policy is to apply hedge accounting to hedging relationships 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. To date the Group has not applied hedge accounting to any of its derivative financial instruments. Trading derivatives are classified as a current asset or liability on the statements of financial position. Gains and losses on other derivatives are classified within "Financial results, net", in the statement of income.

IRSA Inversiones y Representaciones Sociedad Anónima

Notes to Consolidated Financial Statements (Continued)

(All amounts in thousands of Argentine Pesos, except shares and per share data and as otherwise indicated)

2. Summary of significant accounting policies (Continued)

2.14. Derivative financial instruments and hedging activities (Continued)

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.

2.15. 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.

2.16. Restricted assets

As of June 30, 2015, this item is comprised by cash in guarantee directly associated with the sale of the office building for rental located at Madison Ave. 183, New York, U.S. (Note 42). According to the IFRS 9, this deposit account is to be accounted for as financial assets, and are initially recognized at fair value and then, at amortized cost.

2.17. 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. When assessed individually, the Group records a provision for impairment which amounts to the difference between the value of the discounted expected future cash flows of the receivable and its carrying amount, taking into account the existing collateral, if any. This provision takes into consideration the financial situation of the debtor, the resources, payment track-record and, if applicable, the value of collateral.

IRSA Inversiones y Representaciones Sociedad Anónima

Notes to Consolidated Financial Statements (Continued)

(All amounts in thousands of Argentine Pesos, except shares and per share data and as otherwise indicated)

2. Summary of significant accounting policies (Continued)

2.17. Trade and other receivables (Continued)

The Group collectively evaluates for impairment smaller-balance homogeneous receivables, which are grouped on the basis of similar risk characteristics, taking into account asset type, collateral type, past-due status and other relevant factors. The Group applies allowance factors, which in the judgment of management represent the expected losses over the life of the receivables. In determining those factors, the Group considers the following: (i) delinquencies and overall risk ratings, (ii) loss history and the general behavior of clients, (iii) trends in volume and terms of receivables, (iv) the experience and depth of the debtors' management, (v) national and local economic trends, (vi) concentrations of credit by individual credit size and by class of receivable, and (vii) the effect of other external factors.

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.

2.18. Trade and other payables

Trade payables are initially recognized at fair value and subsequently measured at amortized cost using the effective interest method.

2.19. Tenant deposits

The Group generally obtains deposits from tenants as a guarantee for returning the property at the end of the lease term in a specified good condition or for the lease payments for a period of generally 3 years. The deposits generally equivalent to one month of lease rentals. Such deposits are treated as both a financial assets and a financial liability in accordance with IFRS 9, and they are initially recognized at fair value. The difference between fair value and cash received is considered to be part of the minimum lease payments received for the operating lease (refer to Note 2.27 for the recognition of rental income). The deposits are subsequently measured at amortized cost.

2.20. 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.

IRSA Inversiones y Representaciones Sociedad Anónima

Notes to Consolidated Financial Statements (Continued)

(All amounts in thousands of Argentine Pesos, except shares and per share data and as otherwise indicated)

2. Summary of significant accounting policies (Continued)

2.21. Borrowings costs

General and specific borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until the assets are substantially ready for their intended use or sale.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalization. All other borrowing costs are recognized in profit or loss in the period in which they are incurred.

The Group capitalizes borrowing costs on qualifying investment properties, property, plant and equipment and trading properties.

2.22. 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.

2.23. Employee benefits

(a) Pension obligations

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 and prior periods. The contributions are recognized as employee benefit expense when they are incurred.



IRSA Inversiones y Representaciones Sociedad Anónima

Notes to Consolidated Financial Statements (Continued)

(All amounts in thousands of Argentine Pesos, except shares and per share data and as otherwise indicated)

2. Summary of significant accounting policies (Continued)

2.23. Employee benefits (Continued)

(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.

2.24. Share-based payments

The Group operates an incentive plan, under which certain selected employees, directors and top management of the Company, IRSA CP and CRESUD have a right to receive shares of IRSA and CRESUD depending on their employer company although they must remain with the employer entity for a certain period of time.

The fair value of the equity settled awards is measured at the date of grant. Management 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.

If a grant of an equity instrument is cancelled, it is accounted for as if it had vested on the cancellation date, and any expense not yet recognized for the grant is recognized immediately in the statement of income. Any payment made by a counterparty due to cancellation of share-based payment shall be accounted for as a repurchase of equity instruments (that is, it is deducted from shareholders' equity) unless the payment exceeds the fair value of the repurchased equity instruments valued on the repurchase date. The excess, if any, shall be accounted for as an expense.

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Notes to Consolidated Financial Statements (Continued)

(All amounts in thousands of Argentine Pesos, except shares and per share data and as otherwise indicated)

2. Summary of significant accounting policies (Continued)

2.25. 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. Management 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.

Deferred income tax is provided on temporary differences arising on investments in subsidiaries, associates and joint ventures, 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.





IRSA Inversiones y Representaciones Sociedad Anónima

Notes to Consolidated Financial Statements (Continued)

(All amounts in thousands of Argentine Pesos, except shares and per share data and as otherwise indicated)

2. Summary of significant accounting policies (Continued)

2.25. Current income tax, deferred income tax and minimum presumed income tax (Continued)

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.

2.26. Cash and cash equivalents

In the consolidated statements of cash flows, cash and cash equivalents includes cash in hand, deposits held at call with banks, and other short-term highly liquid investments with original maturities of three months or less. Do not include bank overdrafts.

2.27. Revenue recognition

The Group is engaged in diverse operations primarily including; investment and development properties and hotel operations. 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.

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.

Investment property activities:

- 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.

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IRSA Inversiones y Representaciones Sociedad Anónima

Notes to Consolidated Financial Statements (Continued)

(All amounts in thousands of Argentine Pesos, except shares and per share data and as otherwise indicated)

2. Summary of significant accounting policies (Continued)

2.27. Revenue recognition (Continued)

All lease agreements in Argentina are cancelable pursuant to Argentine Law 23,091 “Law of Urban Real Estate” as amended by Law 24,808. Under the law, a lease is not cancelable within the first six months of the agreement, but provides that after that initial non-cancelable period, tenants may rescind agreements at any time upon giving prior written notice to lessors. The Law establishes that payments in connection with a rescission of the lease agreement to be made to the lessor are equivalent to one-and-a-half month’s rent if rescinded during the first year of the lease and one month’s rent if rescinded after the first year of the lease.

The Group analyzed the definition of the lease term in IAS 17, which provides that a non-cancelable lease is a lease that is cancelable only (a) upon the occurrence of some remote contingency, (b) with the permission of the lessor, (c) if the lessee enters into a new lease with the same lessor or (d) upon payment by the lessee of such an additional amount that, at inception of the lease, continuation of the lease is reasonably certain.

The Group has determined that, in all operating leases, the lease term for accounting purposes matches the term of the contract. The Group concluded that, even though a lease is cancelable under the law, tenants would incur significant “economic penalties” if the leases are terminated prior to expiry. The Group considered that these economic penalties are of such amount that continuation of the lease contracts by tenants appears to be reasonably certain at the inception of the respective agreements. The Group reached this conclusion based on factors such as: (i) the strategic geographical location and accessibility to customers of the Group’s investment properties; (ii) the nature and tenure of tenants (mostly well-known local and international retail chains); (iii) limited availability of identical revenue-producing space in the areas where the Group’s investment properties are located; (iv) the tenants’ brand image and other competitive considerations; (v) tenants’ significant expenses incurred in renovation, maintenance and improvements on the leased space to fit their own image; and (vi) the majority of the Group’s tenants only have stores in shopping centers with a few or none street stores.

Lessees of shopping centers are generally required to pay the higher of: (i) a base monthly rent (the “Base Rent”) and (ii) a specific percentage of gross monthly sales recorded by the Lessee (the “Supplementary Rent”), which generally ranges between 4% and 10% of gross sales. Moreover, in accordance with agreements entered into for most locations, the Base Rent is subject to scheduled increases, typically between 7% and 24% per year over the term of the lease.

IRSA Inversiones y Representaciones Sociedad Anónima

Notes to Consolidated Financial Statements (Continued)

(All amounts in thousands of Argentine Pesos, except shares and per share data and as otherwise indicated)

2. Summary of significant accounting policies (Continued)

2.27. Revenue recognition (Continued)

In addition, some lease contracts include provisions that set forth variable rent based on specific volumes of sales and other types of ratios.

Rental income from shopping center properties leased out under operating leases is 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.

Tenants in the Group's shopping centers are also generally charged a non-refundable admission right upon entering a lease contract or renewing an existing one. Admission rights are treated as additional rental income and recognized in the statements of income under a straight-line basis over the term of the respective lease agreement.

The Group acts as its own leasing agent for arranging and closing lease agreements in its shopping center properties and consequently earns letting fees. Letting fees are paid by tenants upon the successful closing of an agreement. A transaction is considered successfully concluded when both parties have signed the related lease contract. Letting fees received by the Group are treated as additional rental income and are recognized in the statements of income on a straight-line basis over the term of the lease agreements.

Lease contracts also provide that common area maintenance charges 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 has assessed the substance of the transactions and concluded that the Group is acting as a principal since it has exposure to the significant risks and rewards associated with the rendering of services.

Service charge income is presented separately from property operating expenses. Property operating expenses are expensed as incurred.

IRSA Inversiones y Representaciones Sociedad Anónima

Notes to Consolidated Financial Statements (Continued)

(All amounts in thousands of Argentine Pesos, except shares and per share data and as otherwise indicated)

2. Summary of significant accounting policies (Continued)

2.27. Revenue recognition (Continued)

Under the lease contracts entered into, lessees also agree to participate in collective promotion funds (“FPC”) to be used in advertising and promoting the Group’s shopping centers. Each lessee’s participation is generally calculated as a percentage of the monthly rent accrued. Revenue so derived is also included under rental income and services segregated from advertising and promotion expenses. Such expenses are charged to income when incurred.

On the other hand, revenue includes income from managed operations and other services such as car parking lots. Those revenues are recognized on an accrual basis as services are provided.

· Office and other rental properties portfolio

Rental income from office and other rental properties include rental income from office leased out under operating leases, income for services and expenses recovery paid by tenant.

Rental income from office 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 (‘rent averaging’). 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, are recorded as income in the periods in which they are collected. Rent reviews are recognized when such reviews have been agreed with tenants.

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.

IRSA Inversiones y Representaciones Sociedad Anónima

Notes to Consolidated Financial Statements (Continued)

(All amounts in thousands of Argentine Pesos, except shares and per share data and as otherwise indicated)

2. Summary of significant accounting policies (Continued)

2.27. Revenue recognition (Continued)

· Development property activities

Revenue primarily comprises the proceeds from the sale of trading properties. Revenue from the sale of properties is recognized only when the significant risks and rewards have transferred to the buyer. This will normally take place on unconditional exchange of contracts (except where payment or completion is expected to occur significantly after exchange). For conditional exchanges, sales are recognized when these conditions are satisfied.

The Group applies IFRIC 15 “Agreements for the Construction of Real Estate”. IFRIC 15 gives guidance as to which standard applies when accounting for the construction of real estate; that is IAS 11 “Construction Contracts” or IAS 18 “Revenue”. IFRIC 15 interprets that an agreement meets the definition of a construction contract under IAS 11 when the buyer is able to specify the major structural elements of the design of the property either before or during construction. Furthermore, IFRIC 15 interprets that an agreement is for the sale of goods under IAS 18 when construction takes place independently of the agreement and the buyer has only a limited ability to influence the design. The Group has assessed the nature of its agreements and determined that they are within the scope of IAS 18. As a result, the Group recognizes revenue from the sale of open market private homes and commercial units entirely at the point of legal completion in accordance with IAS 18.

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. Sometimes, the Group also receives monetary assets (i.e. cash) as part of the transactions. The legal title together with all risks and rewards of ownership to the land is transferred to the developer upon sale. The Group generally requires the developer to issue surety insurances or to mortgage the land in favor of the Group as performance guarantee. In the event the developer does not fulfill its obligations, the Group forecloses the land through the execution of the mortgage or the surety insurances, together with a cash penalty.

The Group determines that its barter transactions have commercial substance and that the conditions for revenue recognition on the transfer of plots or lands are met at the time the transaction takes place. Revenue is then recognized at the fair value of the goods delivered, adjusted, if applicable, by the amount of cash received. In exchange for the plots or lands given up, the Group receives generally cash, and/or a right to receive future units of real estate developments to be built on the bartered plots of land. This right is initially recognized at cost (which is fair value of the land given up) as an intangible asset in the financial statement under “Right to receive future units under barter agreements”. Such intangible asset is not adjusted in subsequent fiscal years, unless there are signs of impairment.

IRSA Inversiones y Representaciones Sociedad Anónima

Notes to Consolidated Financial Statements (Continued)

(All amounts in thousands of Argentine Pesos, except shares and per share data and as otherwise indicated)

2. Summary of significant accounting policies (Continued)

2.27. Revenue recognition (Continued)

The Group may sell the residential apartments to third-party homebuyers once they are finalized and transferred from the developer. In these circumstances, revenue is recognized when the significant risks and rewards are transferred to the buyer. This will normally take place when the title deeds are transferred to the homebuyer.

On the other hand, the Group may market the residential apartments during construction or even before construction commences. In these situations, homebuyers generally surrenders a downpayment to the Group with the remaining amount being paid when the developer completes the property and transfers it to the Group, and the Group in turn transfers it to the buyer. In these cases, revenue is not recognized until the apartments are completed and the transaction is legally completed, that is when the apartments are transferred to the homebuyers and deeds of title are executed. This is because in the event the residential apartments are not completed by the developer and consequently not delivered to the homebuyer, the Group is contractually obligated to return to the homebuyer any down payment received plus a penalty amount. The Group may then seek legal remedy against the developer for non-performance of its obligations under the agreement. The Group exercised judgment and considers that the most significant risk associated with the asset the Group holds (i.e. the right to receive the apartments) consisting of the unfulfillment of the developer's obligations (i.e. to complete the construction of the apartments) has not been transferred to the homebuyers upon reception of the down payment.

· Hotel operations of the Group

Revenue from hotel operations primarily comprises room accommodation, catering and other services. Revenue from product sales are recognized when the product is delivered and the significant risks and rewards of ownership are transferred to the buyer. Revenues from sales of services are recognized when the service is rendered. All other revenues are recognized on an accruals basis.

2.28. 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.





IRSA Inversiones y Representaciones Sociedad Anónima

Notes to Consolidated Financial Statements (Continued)

(All amounts in thousands of Argentine Pesos, except shares and per share data and as 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.

2.29. Earnings / (loss) per share

Basic profit / (loss) per share is calculated by dividing the profit / (loss) for the year attributable to equity holders of the parent by the weighted average number of common shares outstanding during the year. Diluted profit / (loss) per share is computed by dividing the profit / (loss) for the year by the weighted average number of common shares outstanding, and when dilutive, adjusted for the effect of all potentially dilutive shares, including share options, on an as-if converted basis.

In computing diluted profit / (loss) per share, income available to common shareholders used in the basic profit / (loss) per share calculation is adjusted to add back the after-tax amount of interest recognized in the year with respect to any debt convertible to common stock. The weighted-average number of common shares outstanding is adjusted to include the number of additional common shares that would have been outstanding if the dilutive potential common shares had been issued. Diluted profit / (loss) per share is based on the most advantageous conversion rate or exercise price over the entire term of the instrument from the standpoint of the security holder. The calculation of diluted profit / (loss) per share excludes potential common shares if their effect is anti-dilutive. See Note 36 for details.

2.30. Dividend distribution

Cash dividend distribution to the Group's shareholders is recognized as a liability in the Group's financial statements in the period in which the dividends are approved.

As indicated in Note 29, the Group has been refunded dividends deposited with the Caja de Valores. Such amounts have been recorded either under Retained Earnings, if already forfeited or under Trade and other payables, if not forfeited.

2.31. Dividends income

Dividends earned are recorded when declared.

2.32. Comparative information

Balance items as of June 30, 2014 and 2013 shown in these financial statements for comparative purposes arise from Consolidated Financial Statements then ended. Certain reclassifications have been made in order to present figures comparatively with those of this year.



IRSA Inversiones y Representaciones Sociedad Anónima

Notes to Consolidated Financial Statements (Continued)

(All amounts in thousands of Argentine Pesos, except shares and per share data and as otherwise indicated)

2. Summary of significant accounting policies (Continued)

2.33 Acquisition of assets carried out between entities under common control

The Group has elected to recognize acquisition of assets or group of assets carried out between entities under common control who also qualify as “Business Combination” according to IFRS 3, using acquisition method.

2.34 Total or partial disposal of foreign operation

The disposal of a Group’s interest in any foreign operation amounts to any reduction of such ownership interest in the operation. The Group may fully or partially dispose its interest in foreign operation through sale, liquidation or return of contributed capital.

In the case of total or partial disposals of foreign operations and once such disposal becomes effective, the Group proportionally reclassifies the disposal made, the accumulated exchange differences related to the foreign operations recognized under Other comprehensive income and accumulated under a separate item in shareholders’ equity.

3. Acquisitions, dispositions, transactions and/or authorization pending approval

3.1. Acquisitions and dispositions

Year ended June 30, 2015

Sale of investment properties

On July 7, 2014, IRSA signed the transfer deed for the sale of the 19th and 20th floors of the Maipú 1300 Building. The total price of the transaction was Ps. 24.7 million. Such transaction generated a gain before tax of approximately Ps. 21.0 million.

On September 29, 2014, the Group through its subsidiary Rigby 183 LLC (“Rigby 183”), finalized the sale of the Madison 183 Building, located in the city of New York, United States, in the sum of US\$ 185 million, thus paying off the mortgage levied on the asset in the amount of US\$ 75 million. Such transaction generated a gain before tax of approximately Ps. 296.5 million.

On October 8, 2014, the Group through IRSA signed the transfer deed for the sale of the 22nd and 23th floors of the Bouchard 551 Building. The total price of the transaction was Ps. 168.7 million. Such transaction generated a gain before tax of approximately Ps. 151.4 million.



IRSA Inversiones y Representaciones Sociedad Anónima

Notes to Consolidated Financial Statements (Continued)

(All amounts in thousands of Argentine Pesos, except shares and per share data and as otherwise indicated)

3. Acquisitions, dispositions, transactions and/or authorization pending approval (Continued)

3.1. Acquisition and disposals (Continued)

On October 22, 2014, the Group through IRSA signed the transfer deed for the sale of the 10th floor, two parking units of the Maipú 1300 Building and one parking unit of Libertador 498 Building. The total price of the transaction was Ps. 12.0 million. Such transaction generated a gain before tax of approximately Ps. 10.4 million.

On October 28, 2014, the Group through IRSA signed the transfer deed for the sale of 9th, 10th and 11th floors of the Bouchard 551 Building. The total price of the transaction was Ps. 279.4 million. Such transaction generated a gain before tax of approximately Ps. 240.5 million.

On November 7, 2014, the Group through IRSA signed the transfer deed for the sale of the 21st floor of the Bouchard 551 Building. The total price of the transaction was Ps. 75.6 million. Such transaction generated a gain before tax of approximately Ps. 66.7 million.

On December 10, 2014, the Group through IRSA signed the transfer deed for the sale of the 9th floor of the Maipú 1300 Building. The total price of the transaction was Ps. 12.5 million. Such transaction generated a gain before tax of approximately Ps. 11.0 million.

On May 5, 2015, the Group through IRSA CP has signed a bill of sale to transfer 8,470 square meters corresponding to nine offices floors and 72 parking units, of Intercontinental Plaza building. The transaction price was Ps. 376.4 million, which has already been fully paid. On June 30, 2015, the title deed was executed and the possession of the units previously mentioned was granted. Gross profit before tax of this operation amounted to Ps. 338.4 million.

On May 19, 2015, the Group through IRSA signed the transfer deed for the sale of the 15th floor of Maipú 1300 Building and one parking unit in Libertador 498 Building. The total price of the transaction was Ps. 13.5 million. Such transaction generated a gain before tax of approximately Ps. 11.9 million.

On June 5, 2015, the Group through IRSA signed the transfer deed for the sale of the 14th floor of Maipú 1300 Building. The total price of the transaction was Ps. 13.3 million. Such transaction generated a gain before tax of approximately Ps. 11.8 million.

All sales mentioned above led to a combined profit for the Group of Ps. 1,163 million, disclosed within the line "Gain from disposal of investment properties" in the statement of income.

IRSA Inversiones y Representaciones Sociedad Anónima

Notes to Consolidated Financial Statements (Continued)

(All amounts in thousands of Argentine Pesos, except shares and per share data and as otherwise indicated)

3. Acquisitions, dispositions, transactions and/or authorization pending approval (Continued)

3.1. Acquisition and disposals (Continued)

Decreased shareholding in Avenida Inc. ("Avenida")

On July 18, 2014, the Group - through Torodur S.A. - exercised the warrant held associated to this investment and consequently its interest in Avenida increased to 6,172,840 shares or 35.46% of its capital stock. However, simultaneously, the Group's holding was reduced to 23.01% as a result of the acquisition of 35.12% interest in the Company by a new investor at such date.

Subsequently, on September 2, 2014, Torodur S.A. sold 1,430,000 shares representing 5% of the Avenida's capital stock in the amount of Ps. 19.1 million (US\$ 2.3 million), thus reducing equity interest to 17.68% of its share capital. Such transaction generated a gain of Ps. 8.8 million which are shown in the line "Other operating results, net" in the income statements.

As a result of the sale of the interest, the Group no longer has significant influence in Avenida and therefore has ceased to recognize it as an investment in associates and began to consider it as a financial asset at fair value in the financial statements as of June 30, 2015.

Purchases of investment properties

On July 31, 2014, IRSA acquired from Cresud five plots of farmland of approximately 1,058 hectares located in the district of Luján and General Rodriguez, Province of Buenos Aires. The total price of the transaction was Ps. 210 million. Such property is disclosed in offices and other rental properties.

On May 6, 2015, the Group, through IRSA CP, acquired a plot of land located in Villa Cabrera, Córdoba. The price was agreed upon at Ps. 3.1 million, paid at the execution of the conveyance deed.

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 million, thus increasing its interest in such company from 29.77% to 29.99%, without consideration of Treasury shares.

IRSA Inversiones y Representaciones Sociedad Anónima

Notes to Consolidated Financial Statements (Continued)

(All amounts in thousands of Argentine Pesos, except shares and per share data and as otherwise indicated)

3. Acquisitions, dispositions, transactions and/or authorization pending approval (Continued)

3.1. Acquisition and disposals (Continued)

Investment in IDBD

On May 7, 2014, a transaction was closed whereby the Group, acting indirectly through Dolphin, acquired, jointly with C.A.A. Extra Holdings Limited, a non-related company incorporated under the laws of the State of Israel, controlled by Mordechay Ben Moshé (hereinafter, “ETH”), 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 of IDBD’s holding company, IDB Holdings Corporation Ltd. (“IDBH”), with its creditors (the “Arrangement”). Under the terms of the agreement entered into between Dolphin and E.T.H.M.B.M. Extra Holdings Ltd., a company controlled by Mordechay Ben Moshé, to which Dolphin and ETH acceded (the “Shareholders’ Agreement”), Dolphin, acquired a 50% interest in this investment, while ETH acquired the remaining 50%. The total investment amount was NIS 950 million, equivalent to approximately US\$ 272 million at the exchange rate prevailing on that date. As of June 30, 2014, IRSA’s indirect interest in IDBD was approximately 23%.

Under the Arrangement, Dolphin and ETH agreed to participate on a joint and several basis in the capital increases resolved by IDBD’s Board of Directors in order to carry out its business plan for 2014 and 2015, in amounts of at least NIS 300 million in 2014 and NIS 500 million in 2015. As of June 30, 2014, Dolphin and ETH had contributed NIS 231.09 million of the commitment of NIS 300 million corresponding to the year 2014.

Moreover, as part of the Arrangement, Dolphin and ETH committed jointly and severally to make one or more tender offers (the “Tender Offers”) for the purchase of IDBD’s shares for a total amount of NIS 512.09 million (equivalent to approximately US\$ 135.7 million at the exchange rate prevailing as of June 30, 2015), as follows: (i) by December 31, 2015 at least NIS 249.8 million for a price per share of NIS 7.798 (value as of June 30, 2015, subject to adjustment) and (ii) by December 31, 2016, for at least NIS 512.09 million, less the offer made in 2015, for a price per share of NIS 8.188 (value as of June 30, 2015, subject to adjustment). As security for the performance of the tender offers, a total of 28,020,191 shares of IDBD were pledged at the closing of the transaction.

On the other hand, the Arrangement provided that Dolphin and ETH had to pay on a joint and several basis to the creditors who are parties to the Arrangement an additional amount of NIS 100 million in the event that IDBD executed the sale of its interest in Clal Insurance Enterprises Holdings Ltd. (“Clal”) before December 31, 2014, provided that: (i) the sale price was not lower than NIS 4,200 million and (ii) the closing of the transaction took place before June 30, 2015, with IDBD having received as of such date a payment of not less than NIS 1,344 million (gross). As of December 31, 2014, IDBD had not executed the sale of its interest in Clal and accordingly this commitment undertaken by Dolphin and ETH became ineffective.



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IRSA Inversiones y Representaciones Sociedad Anónima

Notes to Consolidated Financial Statements (Continued)

(All amounts in thousands of Argentine Pesos, except shares and per share data and as otherwise indicated)

3. Acquisitions, dispositions, transactions and/or authorization pending approval (Continued)

3.1. Acquisition and disposals (Continued)

On May 12, 2014, IDBD's shares became listed on the "TASE". Consequently, all the shares (including the pledged shares) were deposited in escrow with Bank Leumi Le-Israel as security in compliance with the lock-up provisions set forth in Chapter D of the TASE Regulations, which provide that initially listed shares may not be disposed of for a term of 18 months as from initial listing allowing the release of a 2.5% of the locked up shares per month beginning on the fourth month since the initial listing date.

Pursuant to the provisions of IDBD's rights offering memorandum dated June 9, 2014, on June 26, 2014, a total of 1,332,500 rights to subscribe shares and warrants were granted by IDBD to Dolphin at a ratio of 1 for every 40 shares held, which were exercised on July 1, 2014. Later on, during IDBD's rights issuance process, Dolphin and ETH acquired 0.89 million additional rights for NIS 2.83 million, equivalent to approximately US\$ 0.83 million, out of which 50% corresponded to Dolphin and 50% to ETH, all in accordance with the terms of the Shareholders' Agreement.

The rights offered by IDBD allowed to subscribe in July 2014 for 13 common shares of IDBD for a price of NIS 65 (NIS 5 per share) and 27 warrants, 9 of each series (series 1, 2 and 3) to be issued by IDBD, at no cost. Each warrant issued by IDBD would allow acquiring one common share in IDBD. Series 1 expired on November 1, 2014 and were exercisable at NIS 5.50 per warrant. Series 2 matured on May 1, 2015 and were exercisable at NIS 6 per warrant. Series 3 matures on December 1, 2015 and is exercisable at NIS 6.50 per warrant.

On July 1, 2014 Dolphin exercised all granted and acquired rights it held as of June 30, 2014 to acquire the additional shares in IDBD. As a result, Dolphin received 23.1 million shares and 16 million of each Series 1, 2 and 3 warrants. ETH held the same number of rights and acquired the same number of shares and warrants as Dolphin.

During the period from July 9 to July 14, 2014, Dolphin acquired through transactions in the open market 0.42 million shares and 0.34 million additional Series 2 warrants for NIS 1.77 million (equivalent to approximately US\$ 0.52 million as of such date). 50% of such shares and Series 2 warrants were sold to ETH pursuant to the provisions of the Shareholders' Agreement.

On November 2, 2014, Dolphin exercised 15,998,787 Series 1 warrants and ETH exercised its respective share of Series 1 warrants.

IRSA Inversiones y Representaciones Sociedad Anónima

Notes to Consolidated Financial Statements (Continued)

(All amounts in thousands of Argentine Pesos, except shares and per share data and as otherwise indicated)

3. Acquisitions, dispositions, transactions and/or authorization pending approval (Continued)

3.1. Acquisition and disposals (Continued)

On January 19, 2015, Dolphin acquired in the open market 94,000 shares in IDBD for a total amount of NIS 0.13 million (equivalent to US\$ 0.03 million as of the purchase date) and subsequently sold 50% to ETH in accordance with the terms of the Shareholders' Agreement. In addition, Dolphin acquired 42,564 shares in Discount Investment Corporation Ltd ("DIC"), IDBD's subsidiary, for NIS 0.24 million (equivalent to US\$ 0.06 million as of the purchase date), 50% of which was offered to ETH under the terms of the Shareholders' Agreement. This time ETH decided not to acquire 50% of such shares.

Furthermore, on January 19, 2015, IDBD issued a shelf offering report for subscription rights (the "Rights Offering") for approximately NIS 800 million (the "Maximum Immediate Consideration") pursuant to an irrevocable offer from Dolphin (as described in Note 9 to these financial statements), to grant on January 26, 2015, 1 right (the "New Right") for every 25 shares held in IDBD. Each New Right would allow to subscribe on February 10, 2015 a number of 45 common shares in IDBD for NIS 68.04 (NIS 1.512 per share) and 20 Series 4 warrants, 19 Series 5 warrants and 17 Series 6 warrants issued by IDBD, at no cost. Each warrant issued by IDBD would allow acquiring a common share in IDBD. The Series 4 warrants expire on February 10, 2016 and are exercisable at NIS 1.663 per warrant. Series 5 warrants expire on February 12, 2017 and are exercisable at NIS 1.814 per warrant. Series 6 warrants expire on February 12, 2018 and are exercisable at NIS 1.966 per warrant.

As a result of the Rights Offering, on January 26, 2015, Dolphin received 3.7 million New Rights. ETH received the same number of New Rights. The Rights Offering shelf offering report also stipulated that on February 5, 2015 the rights received could be traded on the public market during such single day only.

In addition, on February 5, 2015, Dolphin acquired 2.05 million New Rights for a total amount of NIS 0.94 million (equivalent to US\$ 0.24 million as of the purchase date), 50% of which was offered to ETH under the terms of the Shareholders' Agreement. At this time ETH decided not to acquire 50% of such New Rights.

IRSA Inversiones y Representaciones Sociedad Anónima

Notes to Consolidated Financial Statements (Continued)

(All amounts in thousands of Argentine Pesos, except shares and per share data and as otherwise indicated)

### 3. Acquisitions, dispositions, transactions and/or authorization pending approval (Continued)

#### 3.1. Acquisition and disposals (Continued)

On February 10, 2015 Dolphin exercised all New Rights received and acquired on the market. As a result, Dolphin received 258,970,184 shares, 115,097,859 Series 4 warrants, 109,342,966 Series 5 warrants and 97,833,180 Series 6 warrants. ETH did not exercise any of the New Rights it held. On such same date, Dolphin sold 71.39 million shares in IDBD to Inversiones Financieras del Sur S.A. ("IFISA"), an entity that is indirectly controlled by Eduardo Sergio Elsztain, at the closing price of NIS 1.39 per share, totaling NIS 99.23 million, equivalent to US\$ 25.65 million at the exchange rate prevailing on the date of the transaction.

In addition, between February 9 and February 16, 2015, Dolphin acquired on the market 0.36 million shares of DIC for NIS 2.88 million, equivalent to US\$ 0.74 million at the exchange rate prevailing on the date of each transaction, part of which was offered to ETH under the terms of the Shareholders' Agreement. At this time ETH also decided not to acquire its pro rata interest of such shares according to the Shareholders' Agreement.

On May 1, 2015 the IDBD Series 2 warrants expired unexercised.

On May 31, 2015 Dolphin sold to IFISA 46 million Series 4 warrants for a total amount of NIS 0.46 million (equivalent to US\$ 0.12 million as of the date of the transaction), on condition that IFISA agreed to exercise all of them when so required by IDBD to Dolphin, in accordance with the proposal made on May 6, 2015 as described in Note 9 to these financial statements.

On June 3, 2015 in accordance with the Dolphin May 6 proposal (as described in Note 9 to these financial statements), Dolphin exercised 44.2 million Series 4 warrants for a total amount of NIS 73.5 million (equivalent to US\$ 19.2 million at the exchange rate prevailing on such date) and IFISA exercised 46 million Series 4 warrants for a total amount of NIS 76.5 million.

As a result of the transactions described above, as of June 30, 2015, Dolphin held an aggregate number of 324,445,664 shares, 15,988,787 Series 3 warrants, 24,897,859 Series 4 warrants, 109,342,966 Series 5 warrants and 97,833,180 Series 6 warrants, accounting for a 49.0% share interest in IDBD. In addition, as of June 30, 2015 Dolphin held 406,978 shares of DIC, accounting for a direct interest of 0.48%.

As of June 30, 2015, IDBD's Board of Directors consisted of nine members, three of which were appointed by Dolphin as regular directors: Eduardo Sergio Elsztain, Alejandro Gustavo Elsztain (on July 7 Roni Bar-On replaced him) and Saúl Zang.

During February and March 2015 Dolphin and ETH exchanged letters mainly in relation to claims from ETH in connection with the Rights Offering and ETH's claim demanding a pro rata acquisition of the IDBD shares owned by Dolphin and subscribed for under the Rights Offering and all the shares acquired thereafter by IFISA asserting in the latter case the rights under the Shareholders' Agreement (first refusal).

Based on the foregoing and in accordance with the provisions of the Shareholders' Agreement with respect to dispute resolution, on April 30, 2015 (the "Preliminary Hearing") arbitration proceedings were initiated in Tel Aviv, under Israeli law. The arbitration proceedings were intended to settle the dispute and the application and interpretation of certain clauses of the Shareholders' Agreement.

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IRSA Inversiones y Representaciones Sociedad Anónima

Notes to Consolidated Financial Statements (Continued)

(All amounts in thousands of Argentine Pesos, except shares and per share data and as otherwise indicated)

### 3. Acquisitions, dispositions, transactions and/or authorization pending approval (Continued)

#### 3.1. Acquisition and disposals (Continued)

In addition, during the Preliminary Hearing, the parties agreed on the rules and procedures that would govern the conduct of the arbitration proceedings and a schedule for such purposes.

On May 28, 2015, before the filing of the arbitration claim, ETH triggered the Buy Me Buy You (“BMBY”) clause in the Shareholders’ Agreement, which establishes that each party to 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; and within 14 days from delivery of the BMBY notice (the “Notice”) recipient should let it know whether it desires to sell or acquire the other party’s shares pursuant to the terms of the Notice, in accordance with the provisions of the Shareholders’ Agreement. In such petition, ETH further added that the purchaser thereunder would be required to assume all obligations of the seller under the Arrangement.

In addition, on June 10 and 11, 2015, Dolphin gave notice to ETH of its intention to buy all the shares in IDBD held by ETH, asserted its defenses and its interpretation about application and construction of the BMBY, establishing that ETH’s interpretation of such mechanism was inaccurate, and that pursuant to the BMBY, Dolphin was not required to assume all of the obligations under the Arrangement, but that if the arbitrator shall decide that Dolphin is required to assume such obligations, then Dolphin would still be the purchasing party in the BMBY.

As a result, the parties pursued arbitration to settle their disputes and in respect of the correct interpretation of the BMBY clause, in order to firstly determine, who would be the purchaser under the BMBY clause, and secondly whether such party would have to assume all of the obligations of the seller under the Arrangement.

For such purposes, the arbitrator decided to divide the arbitration proceedings into two phases: the first one to deal with the disputes related to application and interpretation of the mechanism under the BMBY clause and the second one in relation to the parties’ additional claims.

The parties then filed their respective arguments related to the application and interpretation of the BMBY clause mechanism, and two hearings were held on July 19 and July 22, 2015 in order to reach a decision on this matter.

Moreover, on June 28 and 30, 2015 ETH filed a motion with the arbitrator requesting an injunction preventing changes in IDBD’s current Board of Director’s composition at IDBD’s annual shareholders’ meeting held on July 7, 2015.

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## IRSA Inversiones y Representaciones Sociedad Anónima

## Notes to Consolidated Financial Statements (Continued)

(All amounts in thousands of Argentine Pesos, except shares and per share data and as otherwise indicated)

## 3. Acquisitions, dispositions, transactions and/or authorization pending approval (Continued)

## 3.1. Acquisition and disposals (Continued)

On July 6, 2015, the arbitrator granted such injunction as requested by ETH, for which reason Dolphin appointed only 3 directors for the July 7 meeting and may appoint such number of directors until the arbitrator issues a final decision about who is the purchaser under the BMBY process. For more information, please see Note 44 about subsequent events to these financial statements.

As Dolphin is a subsidiary that qualifies as a VCO in accordance with the IAS 28 exemption referred to in Note 2.3 (d), the Company has recorded its interest in IDBD at fair value with changes in the income statement.

## Disposal of financial assets

During August 2014, IRSA has 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.

## Changes in non-controlling interest

## IRSA CP

During the year, the Group, through IRSA, acquired an additional equity interest of 0.10% in IRSA CP for a total consideration of Ps. 5.7 million. As a result of this transaction, the non-controlling interest was reduced by Ps. 0.9 million and the interest attributable to the shareholders' of the controlling parents was reduced by Ps. 4.8 million. The equity interest in IRSA CP as of June 30, 2015 amounts to 95.80%. The effect on shareholders' equity of this change in the equity interest in IRSA CP is summarized as follows:

	Ps.
Carrying value of non-controlling interest	949
Price paid for the non-controlling interest	(5,750)
Reserve recognized in the Shareholders' equity	(4,801)

## Dolphin

During February 2015 the Group through its subsidiaries, contributed an amount of US\$ 146 million in Dolphin. Such amount was also allocated to increase Dolphin's investment in IDBD. Consequently, the Company recognized a decrease in non-controlling interest for an amount of Ps. 21.0 million and an increase in equity attributable to holders of the parent.

	Ps.
Carrying value of non-controlling interest	20,950
Price paid for the non-controlling interest	-



Reserve recognized in the Shareholders'  
equity

20,950

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IRSA Inversiones y Representaciones Sociedad Anónima

Notes to Consolidated Financial Statements (Continued)

(All amounts in thousands of Argentine Pesos, except shares and per share data and as otherwise indicated)

3. Acquisitions, dispositions, transactions and/or authorization pending approval (Continued)

3.1. Acquisition and disposals (Continued)

Sale of Associates

On February 5, 2014, the Group, through Ritelco, sold its interest in Bitania 26 S.A., 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 million which are shown in the line "Other operating results, net" in the Statements of income.

BACS Banco de Crédito y Securitización S.A.

The Group through Tyrus, subscribed a purchase-sale agreement of shares of BACS Banco de Crédito y Securitización S.A., representing an interest of 6.125%. The transaction amounts to US\$ 1.35 million. This operation is yet to be approved by the Banco Central de la República Argentina, according to regulations in force. The advance payment related to this transaction is disclosed in "Trade receivables and Other receivables".

The Group through IRSA, on June 17, 2015, subscribed Convertible Notes, issued by BACS Banco de Crédito y Securitización S.A. for a nominal value of 100,000,000, which are convertible into common stock.

Rigby 183 LLC Capital reduction

On October 17, 2014, Rigby 183 LLC reduced its capital stock by distributing among existing shareholders, proportionally to their shareholdings, the gain made on the sale of the 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 were distributed to other shareholders. As a result of such reduction, the Group has decided to reverse the corresponding accumulated currency translation on a pro rata basis, which amounted to Ps. 188.3 million. This reversal has been recognized in the line "Other operating results, net" in the Statements of income.

Year ended June 30, 2014

Subscription of shares of Avenida Inc.

On August 29, 2013, the Group, through Torodur S.A., subscribed 3,703,704 shares of Avenida, a Company incorporated in Delaware, United States, representing 24.79% of its outstanding capital. At that moment, this company had neither activity nor significant assets. Additionally, the Group acquired a warrant to increase its interest in Avenida up to 37.04%. The transaction price was Ps. 13 million, which was fully paid. After acquisition, Avenida established a Company named "Avenida Compras S.A.", a Company incorporated in Argentina and engaged in e-commerce activity. Avenida owns 100% of Avenida Compras S.A.



## IRSA Inversiones y Representaciones Sociedad Anónima

## Notes to Consolidated Financial Statements (Continued)

(All amounts in thousands of Argentine Pesos, except shares and per share data and as otherwise indicated)

## 3. Acquisitions, dispositions, transactions and/or authorization pending approval (Continued)

## 3.1. Acquisition and disposals (Continued)

## Stock call Option agreement for Arcos del Gourmet S.A.

On September 16, 2013, IRSA CP entered into an agreement with Messrs. Eduardo Giana, Pablo Bossi and Patricio Tobal (non-controlling shareholders of Arcos Gourmet S.A.), whereby the latter granted to IRSA CP an exclusive and irrevocable option to purchase 10% of the equity interest in Arcos del Gourmet S.A.. The term to exercise the option runs from the execution of the agreement to December 31, 2018. The stock purchase price, in the event option is exercised, is US\$ 8.0 million.

Furthermore, in the mentioned agreement a payment of a fixed amount of Ps. 2.0 million was arranged, which was cancelled, and another variable amount payable monthly, which results from applying 4.5% on the amounts accrued in each previous calendar month for rental and right of admission, net of certain expenses, during 5 years counted from the opening of the shopping mall, in relation to the assignment of rights to earn dividends of Arcos del Gourmet S.A. during such period.

## Additional acquisition of non-controlling interest

## IRSA CP

During the year ended June 30, 2014, the Group, through IRSA, acquired an additional equity interest of 0.02% in IRSA CP for a total consideration of Ps. 1.2 million. As a result of this transaction, the non-controlling interest was reduced by Ps. 0.2 million and the interest attributable to the shareholders' of the controlling parents was reduced by Ps. 1.0 million. The effect on shareholders' equity of this change in the equity interest in IRSA CP is summarized as follows:

	Ps.
Carrying value of non-controlling interest acquired by the Group	182
Price paid for the non-controlling interest	(1,208)
Reserve recognized in the Shareholders' equity	(1,026)

Acquisition of common shares of Condor Hospitality Trust Inc. (formerly Supertel Hospitality Inc., due to change of corporate name) ("Condor")

On January 9, 2014, the Group, through its subsidiary, Real Estate Strategies L.P. ("RES"), granted a loan to Condor for an amount of US\$ 2.0 million. This loan included a conversion option whereby RES was allowed to apply the aggregate amount of the loan to purchase common shares of Condor under a "Subscription Rights Offering" or convert the loan directly into common shares of Condor. Additionally, from February 2012, the Group holds two financial instruments in Condor, preferred shares and warrants, which are still held as of the balance sheet date. On June 6, 2014, RES exercised its conversion right to acquire 1,250,000 common shares at US\$ 1.60 per share. As a result of this acquisition, the Group – through RES – acquired a 26.9% equity interest in Condor.



IRSA Inversiones y Representaciones Sociedad Anónima

Notes to Consolidated Financial Statements (Continued)

(All amounts in thousands of Argentine Pesos, except shares and per share data and as otherwise indicated)

3. Acquisitions, dispositions, transactions and/or authorization pending approval (Continued)

3.1. Acquisition and disposals (Continued)

Acquisition of common shares of Condor Hospitality Trust Inc. (formerly Supertel Hospitality Inc., due to change of corporate name) (“Condor”) (Continued)

The fair value of the Group’s investment in Condor was based on the fair value of its net assets. Condor’s main assets consist of 65 hotels in United States operated by various hotel chains. The Group has allocated the price paid at the fair value of net assets acquired based on the information available as of the balance sheet date. Such fair value amounted to Ps. 31.5 million, resulting in a gain on the acquisition of Ps. 15.4 million, which has been recognized under “Equity interest in associates and joint ventures” in the income statement for fiscal year ended June 30, 2014.

Sales and acquisitions of investment properties

On November 15, 2013, IRSA signed the transfer deed for the sale of the 12th floor and two parking units of the Maipú 1300 Building and two parking units of the Libertador 498 Building. The total price of the transaction was Ps. 9.0 million (US\$ 1.5 million). Such transaction generated a gain before tax of approximately Ps. 7.5 million.

On January 14, 2014, IRSA signed the transfer deed for the sale of the 11th floor and seven parking units of the Maipú 1300 Building. The total price of the transaction was Ps. 9.6 million (US\$ 1.4 million). Such transaction generated a gain before tax of approximately Ps. 7.9 million.

On January 24, 2014, IRSA signed the transfer deed for the sale of the 7th floor and 28 parking units of the Bouchard 551 Building. The total price of the transaction was Ps. 124.6 million, equivalent to US\$ 16.0 million. Such transaction generated a gain before tax of approximately Ps. 99.9 million.

On April 1, 2014, IRSA signed the transfer deed of the fifth and sixth floor and complementary units in the Costeros Dique IV Building. The total price of the transaction was Ps. 12.4 million (US\$ 1.5 million). Such transaction generated a gain before tax of approximately Ps. 10.5 million.

On April 7, 2014, IRSA signed the transfer deed for the sale of the 21th and 22th floor, two parking units of the Maipú 1300 Building and four parking units of the Libertador 498 Building. The total price of the transaction was Ps. 24.1 million (US\$ 3.0 million). Such transaction generated a gain before tax of approximately Ps. 20.2 million.

IRSA Inversiones y Representaciones Sociedad Anónima

Notes to Consolidated Financial Statements (Continued)

(All amounts in thousands of Argentine Pesos, except shares and per share data and as otherwise indicated)

3. Acquisitions, dispositions, transactions and/or authorization pending approval (Continued)

3.1. Acquisition and disposals (Continued)

Sales and acquisitions of investment properties (Continued)

On April 10, 2014, IRSA signed the transfer deed for the sale of the 2nd floor of the Building Avenida de Mayo 589 and ten parking units of the Rivadavia 565 Building. The total price of the transaction was Ps. 24.2 million (US\$ 3.0 million). Such transaction generated a gain before tax of approximately Ps. 20.3 million.

On May 6, 2014, IRSA signed the transfer deed for the sale of the Constitución 1159 Building. The total price of the transaction was Ps. 23.3 million (US\$ 2.9 million). Such transaction generated a gain before tax of approximately Ps. 13.4 million.

On May 14, 2014, IRSA signed the transfer deed for the sale to Transportadora de Caudales Juncadella of the unit 449 of the 8th floor of the Bouchard 551 Building. The price of the transaction was Ps. 61.8 (US\$ 7.7 million). Such transaction generated a gain before tax of approximately Ps. 50.3 million.

On May 19, 2014, IRSA signed the transfer deed for the sale to Inco Sociedad Anónima de Inversión, Industria y Comercio of the unit 1 of the ground floor of the Maipú 1300 Building. The price of the transaction was Ps. 6.5 (US\$ 0.8 million). Such transaction generated a gain before tax of approximately Ps. 5.5 million.

The properties mentioned above were classified as investment properties until the above mentioned transactions were executed, which represents a gross lease area of approximately 10,816 m<sup>2</sup>.

All sales mentioned above led to a combined profit for the Group of Ps. 236 million, disclosed within the line "Gain from disposal of investment properties" in the statement of income.

On May 22, 2014, IRSA CP acquired commercial premises with an area of 40 square meters, next to our shopping Alto Palermo, located on the ground floor of the building located in Santa Fe Av. 3255/57/59 in an amount of US\$ 3.8 million.

## IRSA Inversiones y Representaciones Sociedad Anónima

## Notes to Consolidated Financial Statements (Continued)

(All amounts in thousands of Argentine Pesos, except shares and per share data and as otherwise indicated)

## 3. Acquisitions, dispositions, transactions and/or authorization pending approval (Continued)

## 3.1. Acquisition and disposals (Continued)

Year ended June 30, 2013

Additional acquisition of non-controlling interest

## IRSA CP

During the fiscal year ended June 30, 2013, the Group, through IRSA and E-Commerce Latina S.A., acquired an additional equity interest of 0.1% in IRSA CP for a total consideration of Ps. 2.3 million. As a result of this transaction, the non-controlling interest was reduced by Ps. 0.8 million and the interest attributable to the shareholders' of the controlling parents was reduced by Ps. 1.5 million. The effect on shareholders' equity of this change in the equity interest in IRSA CP is summarized as follows:

	Ps.
Carrying value of non-controlling interest acquired by the Group	824
Price paid for the non-controlling interest	(2,364)
Reserve recognized in the Shareholders' equity	(1,540)

## Arcos del Gourmet S.A. (Arcos)

On June 7, 2013, the Group, through IRSA CP, acquired an additional 1.815% equity interest of its controlled company Arcos, for a total amount of US\$ 0.8 million. The amount recorded of the non-controlling interest in Arcos at the acquisition date was Ps. 7,357 (representing 11.815% of the ownership interest). As a result of this transaction, the non-controlling interest was increased in Ps. 857 and the interest attributable to the shareholders' of the controlling parents was reduced by Ps. 3,687. The effect on shareholder's equity of the parent of this change in the equity interest in Arcos during fiscal year 2013 is summarized as follows:

	Ps.
Carrying value of the equity interests acquired by the Group	857
Price paid for the non-controlling interest	(4,544)
Reserve recognized in the parent's equity due to the acquisition	(3,687)



IRSA Inversiones y Representaciones Sociedad Anónima

Notes to Consolidated Financial Statements (Continued)

(All amounts in thousands of Argentine Pesos, except shares and per share data and as otherwise indicated)

3. Acquisitions, dispositions, transactions and/or authorization pending approval (Continued)

Acquisition of equity interest in joint venture

On November 29, 2012, IRSA CP acquired shares of common stock, representing 50% of Entertainment Holdings S.A. (“EHSA”)’s capital stock and votes for Ps. 25.9 million. Additionally, IRSA CP paid Ps. 6.1 million, subject to the acquisition of the remaining 50% of the shares of La Rural S.A.. According to contract’s terms, the amount paid will be returned to the Company, in case mentioned acquisition is not completed. Under the acquisition agreement, IRSA CP is entitled to exercise joint control over EHSA. EHSA is an Argentine company whose main asset consists of an indirect interest of 50% in the capital and voting rights of La Rural S.A. (“LRSA”), whereby it has joint control over this company together with Sociedad Rural Argentina (“SRA”) who owns the remaining 50%. Thus, IRSA CP is the owner of an indirect interest of 25% in LRSA, whose main asset consists of an usufruct agreement on the Predio Ferial de Buenos Aires, located between Cerviño, Sarmiento, Santa Fe Avenues and Oro street, in the city of Buenos Aires (the “Predio Ferial”) entered into with SRA, owner of such Predio Ferial. The amount of Ps. 6.1 million has been included as an asset, in the line trade and other receivables together with accrued interest.

The fair value of the IRSA CP’s investment in the joint venture was determined based on the fair value of EHSA’s net assets, with the rights of use being the main asset. IRSA CP has allocated the price paid at the fair value of the net assets acquired. Such allocation and the goodwill were recognized under the line “Investments in associates and joint venture” in the statement of financial as of June 30, 2013.

The fair value of the rights of use has been determined by the application of the discounted cash flow method. This estimate considered a discount rate that reflects the market assessments regarding uncertainties in terms of the cash flow amount and timing. The amount of net future cash flows was estimated based on the specific features of the property, the agreements in force, market information and future forecasts as of the valuation date. Net income forecasts, revenues growth rates and discount rates are among the most important assumptions used in the valuation.

Disposal of financial assets

During the year ended June 30, 2013, the Group sold 17,105,629 ordinary shares of Hersha for a total amount of US\$ 92.5 million. As a consequence, the Group's equity interest in Hersha's capital stock decreased from 9.13% (at the beginning of the year) to 0.49%.

In November and December 2012, the Group sold all of its shareholdings in NH Hoteles S.A. (138,572 shares for a consideration of € 0.38 million) and in NH Hoteles S.A. (387,758 shares for a total consideration of US\$ 1.4 million).

In December 2012, IRSA sold all of its shareholdings in Metrovacesa F (1,238,990 shares for a consideration of € 2.7 million); Metrovacesa SM (229,995 shares for a total consideration of € 0.5 million) and Metrovacesa F (919,087 shares for a consideration of US\$ 2.7 million).



IRSA Inversiones y Representaciones Sociedad Anónima

Notes to Consolidated Financial Statements (Continued)

(All amounts in thousands of Argentine Pesos, except shares and per share data and as otherwise indicated)

3. Acquisitions, dispositions, transactions and/or authorization pending approval (Continued)

Sales of investment properties

On August 31, 2012, IRSA signed the transfer deeds for the sale of certain functional units of the “Libertador 498” Building of the Autonomous City of Buenos Aires. The total price of the transaction amounted to Ps. 15.0 million and was paid on the execution of the title conveyance deeds. This transaction generated a gain of Ps. 12.7 million.

On September 14, 2012, IRSA sold certain functional units on floors 18 and 19, as well as parking areas, of the Bouchard 551 Building. The total price of the transaction was US\$ 8.5 million paid upon execution of the conveyance deed. This transaction generated a gain of Ps. 18.4 million.

On October 4 and 11, 2012, IRSA signed the transfer deed for the sale of several functional units (stores and parking spaces) of the “Libertador 498” Building. The transactions price was set at Ps. 29.4 million, amount that had been completely collected. This transaction generated a gain of Ps. 24.9 million.

On January 8, 2013, IRSA sold certain functional units (stores and parking spaces) of the “Costeros Dique IV” Building. The total price of the transaction was Ps. 9.2 million. This transaction generated a gain of Ps. 7.8 million.

On May 8, 2013, IRSA signed the transfer deed for the sale of the 17th floor and two parking units of the Maipú 1300 Building and two parking units of the Libertador 498 Building. The total price of the transaction was Ps. 7.8 million (US\$ 1.5 million). This transaction generated a gain of Ps. 6.0 million.

On May 20, 2013, IRSA signed the transfer deed for the sale of the 6th floor, two parking units of the Maipú 1300 Building and two parking units of the Libertador 498 Building. The transaction price was set at Ps. 7.6 million (US\$ 1.45 million), amount that had been completely collected. This transaction generated a gain of Ps. 6.0 million.

On June 28, 2013, IRSA signed the transfer deed for the sale of 4th, 5th and 6th floors and 56 parking units of the Bouchard 551 Building. The total price of the transaction was Ps. 148.7 million, equivalent to US\$ 27.6 million. This transaction generated a gain of Ps. 108.0 million.

The properties mentioned above were classified as investment properties until the above mentioned transactions were executed, which represents a gross lease area of approximately 14,442 square meters.

All sales mentioned above led to a combined profit for the Group of Ps. 184 million, disclosed within the line “Gain from disposal of investment properties” in the statement of income.

IRSA Inversiones y Representaciones Sociedad Anónima

Notes to Consolidated Financial Statements (Continued)

(All amounts in thousands of Argentine Pesos, except shares and per share data and as otherwise indicated)

3. Acquisitions, dispositions, transactions and/or authorization pending approval (Continued)

Acquisition of Rigby 183 LLC

On June 30, 2012, the Group held, through its subsidiary IMadison LLC, a 49% equity interest in the capital stock of Rigby 183 LLC ("Rigby"), a company that owned office buildings for rental at Madison Avenue 183, New York, USA. On November 27, 2012, the Group, through its subsidiary IRSA International LLC, acquired an additional equity interest of 25.5% in Rigby's capital stock, thus taking control over said company. The goodwill from the acquisition, which amounts to Ps. 45.7 million, is attributable to the synergies expected to be achieved by combining the Group's and Rigby's operations.

The acquisition-related costs, which amount to Ps. 2.6 million, were charged under "General and Administrative Expenses" line in the statement of income.

The fair value of the investment property acquired is Ps. 679.2 million and was assessed by a qualified independent appraiser. The fair value of trade and other receivables amounts to Ps. 2.3 million, including trade receivables in the amount of Ps. 0.1 million. As of the acquisition date, the Group estimates that these receivables are recoverable. The fair value of the non-controlling interest in Rigby, an unlisted company, has been determined on a proportional basis to the fair value of net acquired assets.

The Group has recognized gains of Ps. 124.1 million derived from the reassessment of the fair value of the 49% interest held in Rigby before the business combination. In addition, all cumulative currency translation gains (losses) accumulated in shareholders' equity from the interest held in Rigby before the business combination (Ps. 12.9 million) were charged to income. These gains were disclosed under "Other operating results, net" line in the statement of income.

The revenues Rigby has generated since November 27, 2012 and that have been disclosed in the consolidated statement of income amount to Ps. 40.9 million. Rigby has also run a net gain of Ps. 8.1 million during said period. If Rigby had been included in the consolidation since July 1st, 2012, the Group's consolidated income statement would have shown pro-forma revenues in the amount of Ps. 2,202.9 million and pro-forma net income of Ps. 297.5 million.

Disposal of joint ventures

On June 28, 2013, IRSA sold, assigned and transferred to Euromayor S.A. de Inversiones the 100% of its equity interest in Canteras Natal Crespo S.A., accounting for a 50% interest in that company's capital stock for an aggregate amount of US\$ 4.2 million; out of that amount, US\$ 1.4 million was cashed in July 2013, with the balance being payable as follows: US\$ 2.4 million on March 31, 2014 and US\$ 0.4 million against delivery to IRSA of certain lots in the development to be carried out in Canteras Natal Crespo S.A.'s property, or in cash, what IRSA decides. IRSA was granted a security interest on the 100% of Canteras Natal Crespo S.A.'s shares to secure payment of the remaining balance.

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IRSA Inversiones y Representaciones Sociedad Anónima

Notes to Consolidated Financial Statements (Continued)

(All amounts in thousands of Argentine Pesos, except shares and per share data and as otherwise indicated)

3. Acquisitions, dispositions, transactions and/or authorization pending approval (Continued)

Disposal of subsidiaries

During the year ended June 30, 2013, the Company sold to Doneldon S.A. the 100% of Sedelor S.A.'s, Alafox S.A.'s and Codalis S.A.'s capital stock, all of them companies incorporated in the Republic of Uruguay, with no business activity. Then, the Company sold to Cresud the 100% of Doneldon S.A.'s capital stock.

Transactions and authorizations pending

Paraná plot of land

On June 30, 2009, the Group, through IRSA CP, subscribed a Letter of Intent by which it stated its intention to acquire from Wal-Mart Argentina S.A. a plot of land of about 10,022 square meters located in Paraná, Province of Entre Ríos, to be used to build, develop and operate a shopping center or mall.

On August 12, 2010, the agreement of purchase was executed. The purchase price stood at US\$ 0.5 million to be paid as follows: i) US\$ 0.05 million had been settled as prepayment on July 14, 2009, ii) US\$ 0.1 million was settled upon executing such agreement, and iii) US\$ 0.35 million will be paid upon executing the title deed. The mentioned payments were recorded as an advance under "Trade and other receivables" line.

On December 29, 2011, possession of the real estate was granted, and a minute was signed in which the parties agreed that the deed transferring ownership would be granted on June 30, 2012, or within sixty (60) consecutive days as from the date in which the selling party evidences with a certified copy before the buying party that the real estate is not subject to any encumbrance, burden, limit or restriction to the ownership, except for the electroduct administrative easement in favor of EDEER S.A..

On June 29, 2012, the parties have agreed to extend the term for the execution of the title conveyance deed, which shall be executed within sixty (60) days as from the date the seller provides reliable notification to the buyer that the property is not subject to any levy, encumbrance, restrictions on ownership, except for the right of way already mentioned. As of the balance sheet date, evidence of such notice has not been provided.

Acquisition of a commercial center goodwill

The Group, through IRSA CP, has signed an offering letter for acquiring, building and running a commercial center in a real estate owned by INC S.A., located in the City of San Miguel de Tucumán, Province of Tucumán. The price of this transaction was US\$ 1.3 million. Out of this total, US\$ 0.05 million were paid. The mentioned payment was recorded as an advance under "Trade and other receivables" line.



IRSA Inversiones y Representaciones Sociedad Anónima

Notes to Consolidated Financial Statements (Continued)

(All amounts in thousands of Argentine Pesos, except shares and per share data and as otherwise indicated)

3. Acquisitions, dispositions, transactions and/or authorization pending approval (Continued)

This transaction was subject to certain conditions precedent, among which the Group through IRSA CP should acquire from INC S.A. the goodwill constituted by the commercial center operating in Soleil Factory. Having complied with such condition on July 1, 2010, IRSA CP should have started the works: i) 12 months after complying with such conditions, or ii) on May 2, 2011, whichever earlier. However, before starting with the works, INC S.A. should have: i) granted the title deeds of IRSA CP's future units to IRSA CP, and ii) transferred to IRSA CP the rights to the registered architectural project and the effective permissions and authorizations to be carried out in IRSA CP's future units. As of June 30, 2015, the two conditions have been fulfilled.

Antitrust Law

Law N° 25,156, known as "Antitrust Law" as amended, prevents anticompetitive practices and requires administrative authorization for transactions that according to the Antitrust Law would lead to market concentration. According to this law, such transactions include mergers, acquisitions and/or transfers either of businesses or assets by which the acquirer controls or substantially influences another party. Transactions completed by entities with an annual sales volume of more than Ps. 200.0 million must be submitted to the Comisión Nacional de Defensa de la Competencia (hereinafter referred to as the "Antitrust Commission") for authorization. Certain exceptions apply. Submissions may be filed either prior to the transaction or within a week after its completion. The Antitrust Commission may (i) authorize the transaction, (ii) condition the transaction to the accomplishment of certain acts, or (iii) reject the authorization.

In general, acquisitions effected by the Group are within the scope of the Antitrust Law. In these cases, the Group directly requests authorization. In other cases, the Group may request the Antitrust Commission to issue a prior statement about whether a particular transaction should be either notified or submitted for authorization by the Group.

As of June 30, 2015 and 2014, the following cases are pending resolution by the Antitrust Commission:

i. The Group requested the Antitrust Commission to issue a statement about the Group's obligation to either notify or submit for authorization the acquisition of the property formerly owned by Nobleza Piccardo S.A.I.C.y F. The Antitrust Commission stated that the operation had to be notified. The Group appealed this decision. Subsequently, the Court of Appeals confirmed the Antitrust Commission's decision regarding the obligation to notify and, therefore, on February 23, 2012, local form F1 was filed, which is being processed as of the date these consolidated financial statements are issued.

ii. Purchase of Arcos shares: On December 3, 2009 the Group requested that the CNDC issued a ruling on the notification requirement. The CNDC confirmed that the transaction had to be notified; as a result, notice was served in December 2010 and as of the balance sheet date it is still pending.





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Notes to Consolidated Financial Statements (Continued)

(All amounts in thousands of Argentine Pesos, except shares and per share data and as otherwise indicated)

3. Acquisitions, dispositions, transactions and/or authorization pending approval (Continued)

iii. Acquisition of shares in Nuevo Puerto Santa Fe (NPSF): On August 23, 2011 the Group informed the CNDC of the direct and indirect acquisition of NPSF (IRSA CP directly acquired 33.33% of NPSF and indirectly a 16.66% through its controlled company Torodur S.A.). On December 14, 2014 the CNDC notified approval of the transaction.

iv. Acquisition of shares in Entertainment Holdings SA (EHSA): On December 7, 2012, the Group informed the CNDC of the acquisition of shares in EHSA, which indirectly owns 50% of La Rural S.A. – a company that operates a convention center known as Predio Ferial de Palermo. As of the balance sheet date, the transaction is pending approval by the CNDC.

4. Risk management

Risk management principles and processes

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 program 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 risk management policies are established to all its subsidiaries companies in order to identify and analyze the risks faced by the Group, to set appropriate risk limits and controls to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Group's activities.

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Notes to Consolidated Financial Statements (Continued)

(All amounts in thousands of Argentine Pesos, except shares and per share data and as otherwise indicated)

#### 4. Risk management (Continued)

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 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.

This section provides a description of the principal risks and uncertainties that could have a material adverse effect on the Group's strategy, performance, results of operations and financial condition. The principal risks and uncertainties facing the businesses, set out below, do not appear in any particular order of potential materiality or probability of occurrence.

##### (a) Market risk management

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. The Group's market risks arise from open positions in foreign currencies, interest-bearing assets and liabilities and equity securities price risks, to the extent that these are exposed to general and specific market movements. The Group sets limits on the exposure to these risks that may be accepted, which are monitored on a regular basis.

The examples 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.

##### Foreign Exchange risk and associated derivative financial instruments

The Group publishes its consolidated financial statements in Argentine Pesos but conducts business in many foreign currencies. As a result, the Group is subject to foreign currency exchange risk due to exchange rate movements, which affect the Group's transaction costs. 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 are primarily located in Argentina and have the Argentine Peso as the 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 Consolidated Financial Statements (Continued)

(All amounts in thousands of Argentine Pesos, except shares and per share data and as otherwise indicated)

4. Risk management (Continued)

(a) Market risk management (Continued)

Foreign Exchange risk and associated derivative financial instruments (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 Company's US dollar-denominated (US\$) and new Israeli shekel (NIS), net carrying amounts of its financial instruments broken down by the functional currencies in which the Company operates for the years ended June 30, 2015 and 2014. The amounts are presented in Argentine Pesos, the presentation currency of the Group:

Net monetary

position

(Liability)/Asset

June

30,

2015

June

30,