IRSA

Inversiones y Representaciones
Sociedad Anónima

Annual Report and Financial Statements
for the fiscal years ended
June 30, 2018, 2017 and 2016

1. CORPORATE PROFILE

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

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

i. the acquisition, development and operation of shopping malls,
ii. the acquisition and development of office buildings and other non-shopping mall properties primarily for rental purposes,
iii. the development and sale of residential properties,
iv. the acquisition and operation of luxury hotels,
v. the acquisition of undeveloped land reserves for future development or sale, and
vi. selective investments outside Argentina.

As of June 30, 2018 we owned 29.91%[1] of Banco Hipotecario S.A. (Banco Hipotecario), one of the leading financial institutions in Argentina, 18.9% interest and voting power of the US Real Estate Investment Trust ("REIT") named Condor Hospitality Trust (formerly known as Supertel Hospitality Inc.) ("Condor") and indirectly 100% of the Israeli company IDB Development Corporation ("IDBD") and 76.57% of Discount Investment Corporation Ltd. ("DIC").

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

Business Strategy

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

Operations Center in Argentina

Shopping Malls

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

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

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

Offices

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

Hotels

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

Sales and Developments

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

International

In this segment, we seek investments that represent an opportunity of capital appreciation potential in the long term. After the international financial crisis in 2008, we took advantage of the price opportunity in the real estate sector in the United States and invested in two office buildings in Manhattan, New York. In 2015, we sold the Madison building and we hold a 49.9% interest in a US company, whose main asset is the so-called “Lipstick” office building located in the City of New York. In addition, jointly with subsidiaries, we hold an 18.9% interest and voting rights in Condor Hospitality Trust REIT (NASDAQ: CDOR). We intend to continue evaluating -on a selective basis- investment opportunities outside Argentina as long as they offer attractive investment and development options.

Financial Operations and Others

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

Operations Center in Israel

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

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

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

Telecommunications (Cellcom): Cellcom operates and sells diverse communication services to its customers. Cellcom’s main activities include the supply of mobile communication services. Besides, Cellcom provides ancillary services, such as content and data services, sells handsets and renders telephone repair services. Moreover, Cellcom offers (including through its subsidiary Netvision) fixed-line phone services, data communication services to commercial clients and communications operators, Internet connectivity services, international telephone services and additional services such as conference call, cloud and information security services. In addition, Cellcom offers Internet TV services to its private customers through Netvision’s systems.

Cellcom operates in a highly competitive environment. The pillars of Cellcom’s business strategy include: offering comprehensive solutions for the supply of fixed-line and mobile communication services, increasing the fixed-line phone services offered and streamlining its expenditure structure, if necessary, even by adopting rationalization measures.

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

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

2. LETTER TO SHAREHOLDERS

Dear shareholders,

Fiscal year 2018 was marked by significant events in our two operations centers: Argentina and Israel. In Argentina, we made progress in the development of the projects underway and obtained highly satisfactory results in our rental segments despite a last quarter of currency volatility in the country. In Israel, we sold assets for very attractive prices and refinanced debt at each of the companies at very competitive interest rates. Additionally, the operating subsidiaries continued exhibiting solid performance and investing in new projects.

Adjusted EBITDA for fiscal year 2018, excluding the impact of the revaluation of our investment properties at fair value, reached Ps. 9.3 billion (Ps. 3.0 billion from Argentina and Ps. 6.3 billion from Israel), 32% higher than in 2017, whereas profit for the year was Ps. 21.3 billion, out of which Ps. 14.6 billion derive from the operations center in Argentina and Ps. 6.7 billion from the operations center in Israel.

As concerns our *Operations Center in Argentina,* we are highly satisfied with the performance of our commercial real estate subsidiary, IRSA Propiedades Comerciales, controlled in a 86.34% after the sale in the secondary market of an 8.13% stake on October 2018 with the objective of provide liquidity to the vehicle.

In operating terms, tenant sales in our 16 shopping malls grew by 25.3% in the year, and occupancy reached optimum levels of 98.5% while the portfolio of 7 premium office buildings remained at an average monthly rental price of approximately USD 26.1 per sqm, and reduced its occupancy rate to 92.3% due to the incorporation of Philips buildings, acquired on June 2017, occupied at 69.8%.

During this year we grew in terms of acquisitions and new commercial developments. In shopping malls, we have expanded in approximately 3,000 sqm of GLA of our shopping of the south of Buenos Aires, Alto Avellaneda and worked in progress in the rest of the expansions in the interior of the country. In Offices, we advanced in progress in the office projects under development “Polo Dot” and “Catalinas” and we took possession in January of this year of “Philips” office building that adjoins our DOT commercial complex. The building has a constructed area of 8,000 sqm and an additional construction capacity of 20,000 sqm. The future project consists in integrating this building to “Polo Dot” complex under development, recycling it and repositioning it as a top-quality building.

On March of this year, we have acquired a plot of land of 78,000 sqm in La Plata district, BA province for a total amount of USD 7.5 million and on July, we have acquired “Maltería Hudson” plot of land of approximately 148,000 sqm for an amount of USD 7.0 million. The purpose of both acquisitions is the future development of a mixed-use project, given that the properties have the characteristics of location and scale suitable for a real estate development.

During the next fiscal year, we will add approximately 17,000 sqm from current malls’ expansions. We will complete the expansion of Alto Rosario shopping mall with 2,000 additional sqm, we will add 6 movie theatres in Alto Comahue of 2,200 sqm and we will open a 12,765 sqm Sodimac store in Mendoza Plaza Shopping while expanding its Falabella store. Likewise, we plan to launch the work to extend the third level of our largest shopping mall in terms of sales and rent per sqm, Alto Palermo Shopping, adding approximately 4,000 sqm of GLA in fiscal year 2020. It is worth mentioning that in November 2018 expires the concession term of the Buenos Aires Design shopping mall and the company will deliver the 13,735 sqm of the property that in terms of tenant sales and revenues represents less than 2% of our portfolio.

Also, we will put into operation in 2019 the office building "Polo Dot" of 32,000 sqm of GLA, located in the commercial complex adjacent to our shopping Dot Baires, which is already totally leased to high-level tenants as the e-commerce company "Mercado Libre" and retailer "Falabella". We have evidenced an important demand for Premium office spaces in this new commercial center and we are confident that we will be able to generate a quality enterprise similar to the ones made by the company in the past with attractive income levels and high occupancy. The second stage of the project consists of two office / hotel buildings that will add 38,400 sqm of GLA to the complex and the future expansion of the shopping center in approximately 15,000 sqm of GLA.

Moreover, we will make progress in the development of 35,468 sqm of GLA in the “Catalinas” building, located in one of the most sought-after spots for developing Premium offices in Argentina. As of June 30, 2018, work progress was 16%; and its opening is scheduled to take place in fiscal year 2020. The building will become an iconic landmark in the city and will also have LEED Certification, validating the best environmental practices in terms of operating standards.

In addition to the projects underway, IRSA Commercial Properties has a large reserve of land for future commercial and office developments in Argentina in a context of an industry with high potential. We hope to have the economic, financial and governmental conditions to be able to execute our growth plan.

In our Sales and Developments segment, during this year we sold our 50% interest in the “Baicom” land reserve of approximately 6,905 sqm, located in the neighborhood of Retiro, City of Buenos Aires, for USD 7 million and one floor of Libertador 498 office building for USD 3.7 million. Moreover, we advanced in the sale of 6 lots in the “Greenvielle” gated residential complex, adjoining the “Abril” private residential community in the District of Hudson, in the southern area of Buenos Aires, for an amount of USD 519.000. Our subsidiary IRSA Propiedades Comerciales has sold an office floor of Intercontinental Plaza building for USD 3 million and advanced in the sale of apartment units and parking spaces of the Astor Beruti building, located in Palermo (Buenos Aires) for USD 4.9 million.

Following our long-term vision of real estate as value reserve and the need to reactivate the mortgage market in Argentina, yet incipient, we maintained our 29.91% equity interest in Banco Hipotecario S.A., which has made a favorable contribution to our results, as it added income for Ps. 619 million during this fiscal year.

As concerns our investments outside Argentina, we have refinanced successfully “Lipstick” office building debt to 2020 at a very competitive interest rate and our main challenge will be to keep optimizing its financing structure. Our investment in the Condor Hospitality Trust Hotel REIT (NASDAQ: CDOR) has continued rolling out its strategy of making selective sales of Economy class hotels and acquiring higher class category hotels and has showed very good operating and financial results that let Condor pay common and preferred dividends, quarterly.

Regarding our Operations Center in Israel, we have complied this year with the requirement of the concentration law to eliminate a public company level by transferring the shares of Discount Corporation Ltd. ("DIC") from IDBD to Dolphin Dolphin IL Investment Ltd., controlled by IRSA. We have also consolidated the investment in a single vehicle after having acquired IFISA' stake in IDBD. In this way, IRSA now controls its investment in Israel through its 100% indirect stake in IDBD, whose main asset is Clal Insurance and 77.9% in DIC, whose main subsidiaries are PBC (real estate), Shufersal (supermarkets), Elron (Technology) and Cellcom (Telecommunications).

During this fiscal year, we have improved the financial solvency in Israel, maintaining the strategy of reducing debt in each of the companies, improving credit ratings and increasing the levels of liquidity in IDBD and DIC that cover debt maturities until 2020 and 2021, respectively. A major event of the year was the recent sale by DIC of 16.56% of its stake in Shufersal Ltd. for an amount of NIS 853.7 million that generated an accounting gain in IRSA of approximately ARS 8,500 million. In relation to the insurance company Clal Insurance, we have sold an additional 20% stake during and after the year at market price through swap transactions with local banks. The rest of the operating subsidiaries continue to grow with attractive real estate projects (PBC and Gav-Yam), through online sales and their own brand (Shufersal) and through their strategy of transforming a cell phone company into a telecommunications group, focusing on cost optimization (Cellcom).

IDBD's main challenges for the next period are the sale or control of CLAL Insurance and the definition of the plan to comply with the second stage of the requirement of the Concentration Law, which requires eliminating one more level of public company before December 2019.

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

The economic results obtained during this year have been accompanied by several sustainability and social responsibility practices. For 25 years to date, we have invested in the communities where we operate, building strong bonds with 180 NGOs. At corporate level, we have two volunteer programs with over 200 participants. Through the IRSA Foundation, we tripled the amount of donations made by our employees to NGOs. We have implemented waste separation in all our buildings and shopping malls and one of our rental buildings has recently obtained the LEED Gold level certification, the highest sustainability qualification for a building.

Looking ahead to fiscal year 2019, we expect to continue growing in each of our business lines, adding footage to our real estate asset portfolio in Argentina and Israel, selling assets we regard as non-strategic for our portfolio, and optimizing the capital structures in our two operations centers. With a future that presents challenges and opportunities alike, we believe that the commitment of our employees, the strength of our management and the trust of our shareholders will be key elements in our ability to continue growing and successfully implementing our business.

To all of you, my most sincere thanks.

Eduardo S. Elsztain

Chairman

3. OPERATIONAL DESCRIPTION

Operations Center in Argentina

Shopping Malls Segment

As of June 30, 2018, we owned a majority interest in, and operated, a portfolio of 16 shopping malls in Argentina, seven of which are located in the City of Buenos Aires (Abasto, Alcorta Shopping, Alto Palermo Shopping, Patio Bullrich, Buenos Aires Design, Dot Baires Shopping and Distrito Arcos), two are located in the greater Buenos Aires area (Alto Avellaneda and Soleil Premium Outlet), and the rest are located in different provinces of Argentina (Alto Noa in the City of Salta, Alto Rosario in the City of Rosario, Mendoza Plaza in the City of Mendoza, Córdoba Shopping Villa Cabrera and Patio Olmos (operated by a third party) in the City of Córdoba, La Ribera Shopping in Santa Fe (through a joint venture) and Alto Comahue in the City of Neuquén).

The shopping malls operated by us comprise a total of 344,025 square meters of GLA (excluding certain spaces occupied by hypermarkets which are not our tenants). Total tenant sales in our shopping malls, as reported by retailers, were Ps. 43,130 million for fiscal year 2018 and Ps. 34,428 million for fiscal year 2017, which implies an increase of 25.3%. Tenant sales at our shopping malls are relevant to our revenues and profitability because they are one of the factors that determine the amount of rent that we charge our tenants. They also affect the tenants' overall occupancy costs as a percentage of the tenant's sales.

The following table shows certain information about our shopping malls as of June 30, 2018:

	Opening Date	Location	Gross Leaseable Area sqm (1)	Stores	Occupancy (2)	IRSA CP's Interest (3)
Alto Palermo	Dec-97	City of Buenos Aires	18,648	136	99.5%	100%
Abasto Shopping(4)	Nov-99	City of Buenos Aires	36,796	170	99.1%	100%
Alto Avellaneda	Dec-97	Province of Buenos Aires	38,422	132	98.9%	100%
Alcorta Shopping	Jun-97	City of Buenos Aires	15,746	114	99.8%	100%
Patio Bullrich	Oct-98	City of Buenos Aires	11,397	86	97.1%	100%
Buenos Aires Design	Nov-97	City of Buenos Aires	13,735	62	96.1%	53.70%
Dot Baires Shopping	May-09	City of Buenos Aires	49,407	157	99.5%	80%
Soleil	Jul-10	Province of Buenos Aires	15,214	79	97.7%	100%
Distrito Arcos (5)	Dec-14	City of Buenos Aires	14,169	68	99.7%	90.00%
Alto Noa Shopping	Mar-95	Salta	19,063	88	96.8%	100%
Alto Rosario Shopping(5)	Nov-04	Santa Fe	33,358	141	99.5%	100%
Mendoza Plaza Shopping	Dec-94	Mendoza	42,867	141	98.3%	100%
Córdoba Shopping	Dec-06	Córdoba	15,276	105	100.0%	100%
La Ribera Shopping	Aug-11	Santa Fe	10,530	68	94.9%	50%
Alto Comahue (6)	Mar-15	Neuquén	9,397	99	94.4%	99.95%
Patio Olmos(7)	Sep-07	Córdoba				
Total			**344,025**	**1,646**	**98.5%**	

(1) Corresponds to gross leasable area in each property. Excludes common areas and parking spaces.
(2) Calculated dividing occupied square meters by leasable area as of the last day of the fiscal year.
(3) Company's effective interest in each of its business units.
4) Excludes Museo de los Niños (3,732 square meters in Abasto and 1,261 square meters in Alto Rosario).
(5) Opening December 18, 2014.
(6) Opening March 17, 2015.
(7) IRSA CP owns the historic building of the Patio Olmos shopping mall in the Province of Córdoba, operated by a third party.

Tenant Retail Sales [1]

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

(In million of Ps.)	2018	2017	2016
Alto Palermo	5,034	4,169	3,499
Abasto Shopping	5,674	4,604	4,043
Alto Avellaneda	5,459	4,344	3,776
Alcorta Shopping	2,754	2,207	1,899
Patio Bullrich	1,526	1,236	1,061
Buenos Aires Design	701	537	414
Dot Baires Shopping	4,701	3,748	3,254
Soleil	2,224	1,726	1,282
Distrito Arcos [2]	1,831	1,455	962
Alto Noa Shopping	1,983	1,587	1,325
Alto Rosario Shopping	4,085	3,175	2,627
Mendoza Plaza Shopping	3,441	2,734	2,369
Córdoba Shopping	1,405	1,178	991
La Ribera Shopping	1,030	771	634
Alto Comahue [3]	1,282	954	717
Patio Olmos [4]			
Total sales	**43,130**	**34,426**	**28,854**

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

Accumulated Sales per type of Business

(In millions of Ps.)	2018	2017	2016
Anchor Store	2,477	1,875	1,590
Clothes and footwear	22,499	18,463	15,156
Entertainment	1,332	1,178	1,021
Home and decoration	1,210	957	784
Home Appliances	5,321	3,671	2,723
Restaurants	4,746	3,963	3,368
Miscellaneous	5,089	255	351
Services	456	4,064	3,861
Total	**43,130**	**34,426**	**28,854**

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

	2018	2017	2016
Abasto	99.1%	96.8%	99.8%
Alto Palermo	99.5%	99.3%	99.5%
Alto Avellaneda	98.9%	99.3%	100.0%
Alcorta Shopping	99.8%	98.1%	89.1%
Patio Bullrich	97.1%	97.6%	99.1%
Alto Noa	96.8%	99.4%	100.0%
Buenos Aires Design	96.1%	97.2%	95.7%
Mendoza Plaza	98.3%	97.1%	95.2%
Alto Rosario	99.5%	99.6%	100.0%
Córdoba Shopping Villa Cabrera	100.0%	98.1%	99.2%
Dot Baires Shopping	99.5%	99.9%	100.0%
Soleil Premium Outlet	97.7%	100.0%	100.0%
La Ribera Shopping	94.9%	97.6%	99.3%
Distrito Arcos	99.7%	100.0%	97.0%
Alto Comahue	94.4%	96.4%	96.6%
Patio Olmos [1]			
Total Percentage	**98.5%**	**98.5%**	**98.4%**

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

Rental Price

The following table shows the annual accumulated average rental price per square meter for the fiscal years ended June 30, 2018, 2017 and 2016:[1]

	2018	2017	2016
Alto Palermo	32,831	26,765	21,819
Abasto	16,828	14,736	9,964
Alto Avellaneda	11,083	9,537	7,801
Alcorta Shopping	18,744	15,267	12,217
Patio Bullrich	14,831	12,399	10,473
Buenos Aires Design	4,776	4,077	3,403
Dot Baires Shopping	8,385	6,727	5,468
Soleil Premium Outlet	10,141	7,583	6,048
Distrito Arcos (2)	14,585	8,192	7,274
Alto Noa	5,822	4,644	3,977
Alto Rosario	5,332	7,772	6,299
Mendoza Plaza	6,875	3,458	2,952
Córdoba Shopping Villa Cabrera	7,098	5,682	4,512
La Ribera Shopping	3,444	2,814	2,222
Alto Comahue (3)	11,694	5,956	5,017
Patio Olmos (4)			

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

Accumulated Rental Income as of June 30, 2018, 2017 and 2016

(In thousands of Ps.)	2018	2017	2016
Abasto	619,216	542,219	403,231
Alto Palermo	612,231	507,048	413,815
Alto Avellaneda	425,835	343,930	279,949
Alcorta Shopping	295,145	238,355	193,959
Patio Bullrich	169,028	145,803	123,395
Alto Noa	110,981	88,515	75,724
Buenos Aires Design	65,593	55,837	47,160
Mendoza Plaza	294,709	148,239	124,118
Alto Rosario	177,865	247,190	189,337
Córdoba Shopping –Villa Cabrera	108,422	87,752	70,302
Dot Baires Shopping	414,271	332,970	271,411
Soleil Premium Outlet	154,281	115,468	84,615
La Ribera Shopping	36,263	28,293	21,884
Distrito Arcos (1)	206,659	120,351	81,252
Alto Comahue (2)	109,891	58,164	49,611
Patio Olmos (4)			
Total (3)	**3,800,390**	**3,060,134**	**2,429,763**

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

Lease Expirations (1) (2)

The following table sets forth the schedule of estimated lease expirations for our shopping malls for leases in effect as of June 30, 2018, assuming that none of the tenants will exercise renewal options or terminate their leases earlier:

Agreements' Expiration	Number of Agreements (1)	Square meters to expire	Percentage to expire	Amount (Ps.) (3)	Percentage of Agreements
Vacant stores	48	5,255	1.5%		
2018	498	102,841	29.9%	557,637,192	28.9%
2019	404	81,323	23.6%	553,586,628	28.7%
2020	454	109,046	31.7%	527,474,220	27.4%
2021 and subsequent years	242	45,560	13.2%	289,070,172	15.0%
Total	**1,646**	**344,025**	**100.0%**	**1,927,768,212**	**100.0%**

(1) Includes vacant stores as of June 30, 2018. A lease may be associated to one or more stores.
(2) Does not reflect our ownership interest in each property.
(3) The amount expresses the annual base rent as of June 30, 2018 of agreements to expire.

Five largest tenants in the portfolio

The five largest tenants in our portfolio (in terms of sales) account for approximately 16% of the gross leaseable area and approximately 9.2% of the annual base rent for the fiscal year then ended.

The following table describes our portfolio's five largest tenants:

Tenant	Type of Business	Sales (%)	Gross Leaseable Area (m^2)	Gross Leaseable Area (%)
Falabella	Clothes and footwear	5.8	28,867	8.4
Zara	Clothes and footwear	5.5	9,891	2.9
Fravega	Home appliances	4.2	4,146	1.2
Garbarino	Home appliances	4.1	5,976	1.7
Nike	Clothes and footwear	2.8	6,715	2.0
Total		**22.4**	**55,595**	**16.2**

Competition

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

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

Company	Shopping Mall	Location	Gross leaseable area	Market share Percentage (1)
IRSA Propiedades Comerciales S.A.				
	Alto Palermo	City of Buenos Aires	18,648	1.43
	Abasto Shopping (2)	City of Buenos Aires	36,796	2.83
	Alto Avellaneda	Greater Buenos Aires, Province of Buenos Aires	38,422	2.96
	Alcorta Shopping	City of Buenos Aires	15,746	1.21
	Patio Bullrich	City of Buenos Aires	11,397	0.88
	Buenos Aires Design	City of Buenos Aires	13,735	1.06
	Dot Baires Shopping(4)	City of Buenos Aires	49,407	3.80
	Soleil	Greater Buenos Aires, Province of Buenos Aires	15,214	1.17
	Distrito Arcos	City of Buenos Aires	14,169	1.09
	Alto Noa Shopping	Salta	19,063	1.47
	Alto Rosario Shopping (3)	Santa Fe	33,358	2.57
	Mendoza Plaza Shopping	Mendoza	42,867	3.30
	Córdoba Shopping	Córdoba	15,276	1.18
	La Ribera Shopping (5)	Santa Fe	10,530	0.81
	Alto Comahue	Neuquén	9,397	0.72
	Subtotal		344,025	26.47
Cencosud S.A.			277,203	21.33
Other Operators			678,354	52.20
Total			1,299,582	100.00

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

Seasonality:

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

Offices and Others Segment

According to Colliers International, as of June 2018, the A+ and A office inventory increased a 6% since June 2017, at 1,864,183 sqm. In terms of rental availability. In terms of availability for rent, the vacancy rate was 7.3%, without significant variations compared to the same period of 2017.

Regarding average rental prices, compared to the previos quarter, they remain at USD 25.8 per square meter. According to the market segments, there are a 7.8% decrease in rental prices for A+ properties (USD 28.4 per square meter in the second quarter of 2018 vs. USD 31.2 per square meter in the first quarter) and a 2% increase in rental prices for A property (USD 23.1 per square meter in the second quarter of 2018 against USD 22.6 per square meter in the first quarter).

We are engaged in the acquisition and management of office buildings and other rental properties in Argentina. As of June 30, 2018, we directly and indirectly owned interests in office buildings and other rental properties, which comprised 332,163 square meters of gross leaseable area. Out of these properties, 7 were office properties, which comprised 83,213 square meters of gross leaseable area. For fiscal year 2018, we had revenues from offices and other non-shopping mall rental properties of Ps. 532 million.

All our office rental properties in Argentina are located in the City of Buenos Aires. For the year ended June 30, 2018, the average occupancy rate for all our properties in the Offices and Others segment was approximately 85.5%.

Management

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

Leases

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

Properties

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

	Date of Acquisition	Gross Leaseable Area (sqm) (1)	Occupancy (2)	IRSA's Effective Interest	Monthly Rental Income (in th. of Ps.) (3)	Annual accumulated rental income (thousands of Ps)(4)		
						2018	2017	2016
Offices								
Edificio República (5)	04/28/08	19,885	98.4%	100%	16,112	126,318	112,758	75,122
Torre Bankboston (5)	08/27/07	14,873	85.6%	100%	10,875	86,825	79,498	51,690
Bouchard 551	03/15/07	-	-	100%	296	9,486	3,000	3,000
Intercontinental Plaza (5)	11/18/97	2,979	100.0%	100%	1,910	20,435	18,810	29,078
Bouchard 710 (5)	06/01/05	15,014	100.0%	100%	14,094	121,129	85,465	67,250
Dique IV	12/02/97	-	-	100%	-	-	-	15,000
Maipú 1300	09/28/95	-	-	100%	75	301	6,000	6,000
Libertador 498	12/20/95	-	-	100%	-	8,289	7,000	6,000
Suipacha 652/64 (5)	11/22/91	11,465	86.2%	100%	4,373	33,631	30,007	22,507
Madero 1020	12/21/95	-	-	100%	5	57	44	-
Dot Building (5)	11/28/06	11,242	100.0%	80.0%	7,881	63,913	50,172	31,229
Philips Building (5)	06/05/17	7,755	69.8%	100%	3,416	16,313	-	-
Subtotal Offices		**83,213**	**92.3%**	**N/A**	**59,037**	**486,697**	**392,754**	**306,876**
Other Properties								
Santa María del Plata S.A	10/17/97	116,100	91.4%	100%	1,717	13,790	11,981	12,000
Nobleza Piccardo (6)	05/31/11	109,610	78.0%	50.0%	1,731	6,269	13,217	2,172
Other Properties (7)	N/A	23,240	64.8%	N/A	1,875	19,860	12,838	11,000
Subtotal Other Properties		**248,950**	**83.2%**	**N/A**	**5,323**	**39,919**	**38,036**	**25,172**
Total Offices and Others		**332,163**	**85.5%**	**N/A**	**64,360**	**526,616**	**430,790**	**332,048**

(1) Corresponds to the total leaseable surface area of each property as of June 30, 2018. Excludes common areas and parking spaces.
(2) Calculated by dividing occupied square meters by leaseable area as of June 30, 2018.
(3) The lease agreements in effect as of June 30, 2018 were computed for each property.
(4) Corresponds to total consolidated lease agreements.
(5) Through IRSA CP.
(6) Through Quality Invest S.A.
(7) Includes the following properties: Ferro, Dot Adjoining Plot, Anchorena 665, Anchorena 545 (Chanta IV) and Intercontinental plot of land.

The following table shows our offices occupancy percentage (1) as of the end of fiscal years ended June 30, 2018 and 2017:

	Occupancy Percentage(1)	
	2018	2017
Offices		
Edificio República	98.4%	95.2%
Torre Bankboston	85.6%	100.0%
Intercontinental Plaza	100.0%	100.0%
Bouchard 710	100.0%	100.0%
Suipacha 652/64	86.2%	86.3%
DOT Building	100.0%	100.0%
Libertador 498	-	100.0%
Philips Building	69.8%	-
Subtotal Offices	92.3%	96.2%

(1) Leased square meters pursuant to lease agreements in effect as of June 30, 2018, 2017 and 2016 over gross leaseable area of offices for the same periods.

The following table shows average annual income per square meter for our offices during the fiscal years ended June 30, 2018, 2017 and 2016.

Average annual income per square meter as of June 30 [(1)]

(Ps./sqm)	Average annual income per square meter[(1)] 2018[(1)]	2017[(1)]	2016[(1)]
Offices			
Intercontinental Plaza	5,970	4,853	4,291
Bouchard 710	8,068	5,692	4,539
Libertador 498	-	9,739	10,464
Suipacha 652/64	2,933	2,617	1,961
Torre Bankboston	5,838	5,345	3,778
Edificio República	6,353	5,671	3,615
Dot Building	5,685	4,463	2,778
Philips	2,104		

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

Lease expiration

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

The following table shows certain information on leases agreements as of June 30, 2018:

The following table sets forth certain Information on lease agreements as of June 30, 2018:

Building	Number of lease agreements [(1)(5)]	Annual rental price [(2)]	Rental price per new and renewed sqm [(3)]	Rental price per previous sqm [(3)]	Number of lease agreements not renewed	Lease agreements not renewed Annual rental price [(4)]
Intercontinental	-	-	-	-	3	13,197,994
Bouchard 710	5	77,057,758	588	570	-	-
Della Paolera 265	1	8,055,709	538	498	1	1,523,898
Edificio República	6	51,509,863	581	578	-	-
DOT Building	2	15,357,876	553	515	-	-
Suipacha 664	1	7,884,678	332	332	-	-
Philips	5	26,373,106	406	-	-	-
Total Offices	**20**	**186,238,990**	**530**	**443**	**4**	**14,721,892**

(1) Includes new and renewed lease agreements executed in FY 2018.
(2) Lease agreements in U.S. dollars converted to Pesos at the exchange rate prevailing in the first effective month of the agreement, multiplied by 12 months.
(3) Monthly value.
(4) Lease agreements in U.S. dollars converted to Pesos at the exchange rate prevailing in the last effective month of the agreement, multiplied by 12 months.
(5) It does not include lease agreements over parking spaces, antennas or terrace area.
(6) New building, agreements with no previous rental price

The following table contains a schedule of estimated lease expirations for our offices in connection with the lease agreements in effect as of June 30, 2018, assuming that none of the tenants will exercise their renewal options or terminate their leases earlier (most tenants have lease renewal clauses).

Lease Expiration Fiscal Year	Number of Lease Agreements subject to Expiration	Square Meters subject to Expiration	Percentage of Total Square Meters subject to Expiration	Annual Revenues for Leases under Agreements about to Expire	Percentage of total Revenues subject to Expiration
		(sqm)	(%)	(Ps.)	(%)
2018	17	1,850	2%	21,205,419	3%
2019	27	25,816	34%	223,874,088	32%
2020	22	16,720	22%	151,541,203	22%
2021+	31	31,084	42%	303,271,835	43%
Total	97	75,470	**100%**	699,892,545	**100%**

Includes Offices whose lease agreement has not yet been renewed as of June 30, 2018.
Does not include vacant leased square meters.
Does not include square meters or revenues from parking spaces.

Below is a description of our rental office buildings:

Edificio República, City of Buenos Aires

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

Torre BankBoston, City of Buenos Aires

The BankBoston 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 over 31,670 square meters of gross leaseable area. We have a 47% ownership interest in the building. At present, our main tenants include Exxon Mobile and Kimberly Clark de Argentina, among others.

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 Monserrat in downtown City of Buenos Aires. We own a 13.2% interest in the building which has footage averaging 22,535 square meters of gross leaseable area; meaning we own 2,979 square meters of gross leasable area in this building. The principal tenants currently include CRESUD Sociedad Anónima Comercial, Inmobiliaria, Financiera y Agrícola (“CRESUD”) and IRSA, among others.

Bouchard 710, City of Buenos Aires

Bouchard 710 is an office building located in the Retiro district. The building is a 12-story tower, with an average area per floor of 1,251 square meters, with 165 units for car parking. In March 2017 it received the LEED certification by the US Green Building Council. Tenants are Sibille S.C. (KPMG) and Microsoft de Argentina S.A., Samsung Electronics Argentina S.A., Energy Consulting Services S.A. and Booking.com S.A., among others. Its surface area averages 15,014 square meters of gross leaseable area.

Suipacha 652/64, City of Buenos Aires

Suipacha 652/64 is a 7-story office building located in the office district of the City of Buenos Aires. 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 include Monitor de Medios Publicitarios S.A., Organización de Servicios Director Empresarios (OSDE) and Tarshop S.A., among others. The average footage of the building is 9,884 square meters of gross leaseable area.

Dot Building, City of Buenos Aires

Panamerican Mall S.A., our subsidiary, developed an office building of 11,242 square meters of gross leaseable area next to Dot Baires Shopping. This building was inaugurated in July 2010, which meant our arrival at the growing corridor of the Northern Area with respect to offices for rent. The building’s principal tenants include General Electric International Inc., Carrier, Boston Scientific Argentina S.A., Astrazeneca S.A. and Covidien S.A., among others.

Philips Building

The historic Philips Building adjoins our Dot Baires shopping mall, and faces Avenida General Paz, in the City of Buenos Aires. It has 4 office floors, a total GLA of approximately 7,755 sqm, and a remaining construction capacity of approximately 20,000 sqm. IRSA CP is owner of 100% of the building.

Other Office Properties.

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

Retail and Other Properties.

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

Hotels Segment

According to the Hotel Vacancy Survey (EOH) prepared by INDEC, at May 2018, overnight stays at hotel and parahotel establishments were estimated at 2.9 million, 6.3% higher than the same month the previous year. Overnight stays of resident and nonresident travelers increased by 7.6% and 1.6%, respectively. Total travelers who stayed at hotels during May were 1.4 million, accounting for a 2.9% increase compared to the same month the previous year. The number of resident and nonresident travelers increased by 1.9% and 7.6%, respectively. The 1.1 million resident travelers represented 80.7% of the total number of travelers who stayed at hotels. The Room Occupancy Rate in May was 37.4%, showing a slight increase compared to the same month the previous year. Moreover, the Bed Occupancy Rate for the same period was 27.1%, which represents a slight increase compared to May 2017.

During fiscal year 2018, we kept our 76.34% interest in Intercontinental hotel, 80.00% interest in Sheraton Libertador hotel and 50.00% interest in Llao Llao.

The following chart shows certain information regarding our luxury hotels:

Hotels	Date of Acquisition	IRSA's Interest	Number of rooms	Occupancy[1]	Average Price per Room Ps. [2]	Fiscal Year Sales as of June 30 (in millions)		
						2018	2017	2016
Intercontinental [3]	11/01/1997	76.34%	309	74.9%	2,781	337	271	195
Sheraton Libertador [4]	03/01/1998	80.00%	200	76.1%	2,728	212	151	119
Llao Llao [5]	06/01/1997	50.00%	205	56.9%	6,713	439	301	220
Total	**-**	**-**	**714**	**70.1%**	**3,682**	**988**	**723**	**534**

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

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

In June 1997 we acquired the Hotel Llao Llao from Llao Llao Holding S.A. Fifty percent is currently owned by the Sutton Group. The Hotel Llao Llao is located on the Llao Llao peninsula, 25 kilometers from the City of San Carlos de Bariloche, and it is one of the most important tourist hotels in Argentina. Surrounded by mountains and lakes, this hotel was designed and built by the famous architect Bustillo in a traditional alpine style and first opened in 1938. The hotel was renovated between 1990 and 1993 and has a total constructed surface area of 15,000 sqm and 158 original rooms. The hotel-resort also includes an 18-hole golf course, tennis courts, fitness facility, spa, game room and swimming pool. The hotel is a member of The Leading Hotels of the World, Ltd., a prestigious luxury hospitality organization representing 430 of the world's finest hotels, resorts and spas. The Hotel Llao Llao is currently being managed by Compañía de Servicios Hoteleros S.A., operator, among others, of the Alvear Palace Hotel, a luxury hotel located in the Recoleta neighborhood of Buenos Aires. During 2007, the hotel was subject to an expansion and the number of suites in the hotel rose to 205 rooms.

Hotel Intercontinental, City of Buenos Aires

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

Hotel Sheraton Libertador, City of Buenos Aires

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

Bariloche Plot, "El Rancho," San Carlos de Bariloche, Province of Río Negro

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

Sale and Development of Properties and Land Reserves Segment

Residential Development Properties

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

In fiscal year ended June 30, 2018, revenues from the development and sale of properties segment amounted to Ps. 120 million, compared to Ps. 99 million posted in the fiscal year ended June 30, 2018.

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 the land reserves at IRSA CP level as of June 30, 2018

	IRSA CP's Interest	Date of acquisition	Land surface (sqm)	Buildable surface (sqm)	GLA (sqm)	Salable surface (sqm)	Book Value (ARS millions)
RESIDENTIAL - BARTER AGREEMENTS							
Beruti (Astor Palermo) - BA City	100%	6/24/2008	-	-	-	229	151
CONIL - Güemes 836 – Mz. 99 & Güemes 902 – Mz. 95 & Commercial stores - Buenos Aires	100%	7/19/1996	-	-	847	58	46
Total Intangibles (Residential)			**-**	**-**	**847**	**287**	**197**
LAND RESERVES							
Polo Dot U building - BA City	80%	6/29/2006	5,273	32,000	32,000		674
Catalinas - BA City	100%	5/26/2010	3,648	58,100	16,012		645
Subtotal Oficinas			**8,921**	**90,100**	**48,012**		**1,319**
Total under Development			**8,921**	**90,100**	**48,012**		**1,319**
UOM Luján - Buenos Aires	100%	5/31/2008	1,160,000	464,000	-		305
San Martin Plot (Ex Nobleza Piccardo) - Buenos Aires	50%	5/31/2011	159,995	500,000	-		1,406
La Plata - Greater Buenos Aires	100%	3/23/2018	78,614	116,552	-		219
Subtotal Mixed-uses			**1,398,609**	**1,080,552**	**-**	**-**	**1,930**
Coto Abasto aire space - BA City(2)	100%	9/24/1997	-	21,536	-	15,831	274
Córdoba Shopping Adjoining plots - Córdoba(2)	100%	6/5/2015	8,000	13,500	-	2,160	13
Neuquén - Residential plot - Neuquén(2)	100%	6/7/1999	13,000	18,000	-	18,000	67
Subtotal Residential			**21,000**	**53,036**	**-**	**35,991**	**355**
Caballito plot - BA City	100%	1/20/1999	23,791	68,000	30,000	-	376
Tucumán plot - Tucumán (3)	100%	3/15/2010	18,620	10,000	10,000	-	-
Paraná plot - Entre Ríos (3)	100%	8/12/2010	10,022	5,000	5,000	-	-
Subtotal Retail			**52,433**	**83,000**	**45,000**	**-**	**376**
Polo Dot - Offices 2 & 3 - BA City	80%	11/28/2006	12,800	44,957	33,485	-	808
Intercontinental Plaza II - BA City	100%	28/2/1998	6,135	19,598	19,598	-	351
Córdoba Shopping Adjoining plots - Córdoba(2)	100%	5/6/2015	2,800	5,000	5,000	-	7
Subtotal Offices			**21,735**	**69,555**	**58,083**	**-**	**1,167**
Total Future Developments			**1,493,777**	**1,286,143**	**103,083**	**35,991**	**3,828**
Another Land Reserves(1)			**1,899**		**7,297**	**262**	**182**
Total Land Reserves			**1,504,597**	**1,376,243**	**158,392**	**36,253**	**5,329**

(1) Includes Zelaya 3102-3103, Chanta IV, Anchorena 665 and Condominios del Alto II
(2) These land reserves are classified as Property for Sale, therefore, their value is maintained at historical cost. The rest of the land reserves are classified as Investment Property, valued at market value.
(3) Sign of the deeds pending subject to certain conditions.

The following table shows information about our expansions on current assets as of June 30, 2018:

Expansions	IRSA CP's Interest	Surface (sqm)	Locations
Alto Rosario	100%	2,000	Santa Fé
Mendoza Plaza - Sodimac Store + Falabella	100%	12,800	Mendoza
Alto Comahue - Movie Theatres	99%	2,200	Neuquén
Subtotal Current Expansions		**17,000**	
Alto Palermo Adjoining Plot	100%	4,000	BA City
Dot Adjoining Plot	80%	16,765	BA City
Other future Expansions(1)		85,290	
Subtotal Future Expansiones		**106,055**	
Total Shopping Malls		**123,055**	
Patio Bullrich - Offices / Hotel	100%	10,000	BA City
Philips Building	100%	20,000	BA City
Subtotal Future Expansions		**30,000**	
Total Offices		**30,000**	
Total Expansions		**153,055**	

The following table shows the land reserves of IRSA as of June 30, 2018

	IRSA's Interest	Date of acquisition	Land surface (sqm)	Buildable surface (sqm)	GLA (sqm)	Salable surface (sqm)	Book Value (ARS millions)
RESIDENTIAL - BARTER AGREEMENTS							
Pereiraola (Greenville) - Buenos Aires	100%	4/21/2010	-	-	-	35,239	107
Zetol - Uruguay	90%	6/1/2009	-	-	-	64,080	518
Vista al Muelle - Uruguay	90%	6/1/2009	-	-	-	60,360	467
Total Intangibles (Residential)			**-**	**-**	**-**	**159,679**	**1,092**
LAND RESERVES							
Catalinas - BA City	100%	5/26/2010	3,648	14,820	14,820		583
Subtotal Oficinas			**3,648**	**14,820**	**14,820**	**-**	583
Total under Development			**3,648**	**14,820**	**14,820**	**-**	**583**
La Adela - Buenos Aires	100%	8/1/2014	9,878,069	3,951,227	-	-	433
Puerto Retiro - BA City [2]	50%	5/18/1997	82,051	246,153	-	-	40
Solares Santa María - BA City	100%	7/10/1997	716,058	716,058	-	-	6,498
Subtotal Mixed-uses			**10,676,178**	**4,913,438**	**-**	**-**	6,971
Caballito Manzana 35 -BA City	100%	22/10/1998	9,879	-	-	57,192	459
Subtotal Residential			**9,879**	**-**	**-**	**57,192**	459
Total Future Developments			**10,686,057**	**4,913,438**	**-**	**57,192**	**7,431**
Another Land Reserves[4]			**6,932,987**	**-**	**-**	**4,713**	**687**
Total Land Reserves			**17,622,692**	**4,928,258**	**14,820**	**61,905**	**8,702**
Total Land Reserves IRSA + IRSA CP Proportional			**18,921,761**	**6,116,506**	**151,576**	**93,206**	**13,298**

(1) Includes Pilar R8 Km 53, Pontevedra, Mariano Acosta, Merlo, San Luis plot, Llao Llao plot and Casona Abril remaining surface.
(2) These landplot maintain its value at historical cost

Detailed information on each of our properties:

Residential Properties

Condominios del Alto II –City of Rosario, Province of Santa Fe (IRSA CP)

As of June 30, 2018, the works in parcel H have been completed and all the units subject to the barter have been received, with 9 parking spaces available for sale.

Intangibles - Units to be received under barter agreements

Beruti Plot – City of Buenos Aires (IRSA CP)

On October 13, 2010, the Group, through its subsidiary IRSA CP, and TGLT S.A. ("TGLT") entered into a barter agreement in connection with a plot of land located at Beruti 3351/59 in the City of Buenos Aires for cash and 2,170 own square meters in future residential apartments to be constructed by TGLT in the plot. On December 30, 2016, IRSA CP took possession of 36 apartments, 32 residential parking spaces and 171 commercial parking spaces, and started the sale process. As of June 30, 2018, 3 apartments,15 residential parking spaces and 171 commercial parking spaces remain available for sale.

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

These plots of the Company face Alto Avellaneda shopping mall, totaling 2,398 sqm distributed in two opposite corners and according to urban planning standards, around 6,000 sqm may be built. Its intended use, either through an own development or sale to a third party, is residential with the possibility of a retail space as well. In November 2014, a Barter Deed, valued at USD 0.7 million, was executed to carry out a residential development, in consideration of which the Company will receive 1,389 sqm of retail stores located on the ground floors of blocks 99 and 95 at Güemes 836 and Güemes 902, respectively. In June 2018 an extension to the Barter was signed. In consideration for the delay and as compensation, we will receive 1 apartment (57.5 sqm) and 1 garage (14sqm).

Pereiraola (Greenville), Hudson – Province of Buenos Aires (IRSA)

In April de 2010 we sold Pereiraola S.A., a company owner of certain lands adjacent to Abril Club de Campo that comprised 130 hectares, for USD 11.7 million. The purchaser would develop a project that includes the fractioning into lots, a condo-hotel, two polo fields, and apartment buildings. The delivery to the Company of 39,634 square meters of lots amounting to approximately USD 3 million was included in the sale price. As of June 30, 2018, 10 lots were deeded and 46 remain to be traded.

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

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

We intend to develop in these 13 plots an urban project that consists of the development and comercialization of 1,860 apartments. Such project has the “urban feasibility” status for the construction of approximately 200,000 sqm for a term of 10 years, which was granted by the Mayor’s Office of the Canelones department and by its Local Legislature. Zetol S.A. and Vista al Muelle S.A. agreed to carry out the infrastructure works for USD 8 million as well as minimum amount of sqm of properties. The satisfaction of this commitment under the terms and conditions agreed upon will grant an additional 10-year effective term to the urban feasibility status.

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

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

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

As a result of the plot barter agreements executed in due time between the IMC, Zetol S.A. and Vista al Muelle S.A. in March 2014, the parcel redistribution dealing was concluded. This milestone, as set forth in the amendment to the Master Agreement executed in 2013, initiates the 10-year term for the investment in infrastructure and construction of the buildings mentioned above. At present, the first tower is being developed. Construction capacity of the 13 plots is 182,000 sqm.

Canteras Natal Crespo, La Calera – Province of Córdoba

On June 26, 2013, we sold 100% of our interest in Canteras Natal Crespo S.A. representing 50% of its capital stock, to Euromayor S.A. de Inversiones for USD 4,215,000 according to the following payment schedule: USD 3,815,000 in cash and USD 400,000 through the transfer of almost 40,000 sqm for business purposes within the project to be developed in the site known as Laguna Azul. Delivery of the non-monetary consideration, which consist in 30,000 sqm, is pending.

Shopping Mall Expansions (IRSA CP)

During the next fiscal year, we will add approximately 17,000 sqm from current malls' expansions. We will add soon 6 movie theatres in Alto Comahue of 2,200 sqm, an approximately 12,800 sqm Sodimac store in Mendoza Plaza Shopping while expanding its Falabella store and 2,000 sqm of expansion in Alto Rosario, where we have recently opened a big Zara store.

During the next fiscal year, we expect to launch the works of expansion of Alto Palermo shopping mall, the shopping mall with the highest sales per square meter in our portfolio, that will add a gross leasable area of approximately 4,000 square meters and will consist in moving the food court to a third level by using the area of an adjacent building acquired in 2015.

First Stage of Polo Dot (IRSA CP)

The project called "Polo Dot", located in the commercial complex adjacent to our shopping mall Dot Baires, has experienced significant growth since our first investments in the area. The total project will consist in 3 office buildings in land reserves owned by the Company and the expansion of the shopping mall by approximately 15,000 square meters of GLA. At a first stage, we are developing an 11-floor office building with an area of approximately 32,000 square meters on an existing building, in respect of which we have already executed lease agreements for the total surface. The total estimated investment amounts to ARS 1,000 millions and as of June 30, 2018, degree of progress was 74%.

Catalinas building (IRSA & IRSA CP)

The building to be constructed will have approximately 35,000 sqm of GLA consisting of 30 office floors and 316 parking spaces, and will be located in the "Catalinas" area in the City of Buenos Aires, one of the most sought-after spots for Premium office development in Argentina. The company owns 16,012 square meters consisting of 14 floors and 142 parking spaces in the building under construction. The total estimated investment under IRSA Comercial Properties amounts to ARS 720 million and as of June 30, 2018, work progress was 16%.

Mixed Uses:

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

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

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

On May 31, 2011, Quality Invest S.A. and Nobleza Piccardo S.A.I.C. y F. (Nobleza) executed the title deed for the purchase of a plot of land extending over 160,000 square meters located in the District of San Martín, Province of Buenos Aires, currently intended for industrial purposes and suitable in terms of characteristics and scales for mixed-use developments. The price for the property was USD 33 million.

Simultaneously with execution of the title deed the parties entered into a lease agreement whereby Nobleza leased the whole property for a term of up to 36 months from May 2011. On March 2, 2015 a Certificate was executed by Nobleza and Quality Invest S.A. for Full Return of the Property, and the contract relationship between the parties came to an end.

On June 28, 2017, Quality Invest S.A. signed an agreement with EFESUL S.A. in order to assume as their own the obligations that the latter agreed with the Municipality of General San Martin within the framework of the aforementioned Urban Agreement. These agreement contemplates a donation, which will be paid based on the work progress that the Municipality develops on the property initially transferred by EFESUL S.A.

In addition, during July 2017, Quality Invest S.A. subscribed two addendums to the aforementioned Urban Development Agreement, which contemplate the following: 1) a new subdivision plan of the property will be presented within 120 days of the addendum signing and 2) the payment of the twelveth installment in cash was replaced by the sum of $ 71 million payables in 18 equal and consecutive monthly installments.

On March 8, 2018, it was agreed with the renowned Gehl Firm (Denmark) - Urban Quality Consultant - the elaboration of a Master Plan, generating a modern concept of New Urban District of Mixed Uses.

Added to this, local consultants were also hired as: Guillermo Oliveto (Consultant W) in Market Analysis, Gastón Biggio (GUT) in naming and branding of the District, Colla & Colombo Consultants in Business Analysis and Alejandro Langlois in Vehicular Impact, among others. In this way, the Company have a clear sizing and positioning of the business to which will deal opportunely.**Córdoba Shopping Mall Project (IRSA CP)**

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

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

La Plata landplot (IRSA CP)

On March 22, 2018 the Company has acquired, directly and indirectly, 100% of a plot of land of 78,000 sqm of surface in the town of La Plata, province of Buenos Aires. The operation was made through the purchase of 100% of the shares of the company Entertainment Center La Plata SA ('CELAP'), owner of 61.85% of the property and the direct purchase of the remaining 38.15% to non-related third parties.

The price of the operation was set at the amount of US$ 7,5 million which have been fully paid. The purpose of this acquisition is the future development of a mixed-use project, given that the property has characteristics for a commercial development in a high potential district.

La Adela – Buenos Aires (IRSA)

During the year 2015 the company acquired the “La Adela” land reserve with an area of approximately 1,058 hectares, located in the District of Luján, Province of Buenos Aires, that was previously owned by our controlling company CRESUD S.A.C.I.F. y A., for a total amount of Ps. 210 million. Given its degree of development and closeness to the City of Buenos Aires, this site has a huge urbanistic potential and therefore, it is intended to be used for developing a new real estate project.

Puerto Retiro – City of Buenos Aires (IRSA)

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

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

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

In turn, Tandanor filed a civil action against Puerto Retiro S.A. and the other defendants in the criminal case for violation of Section 174 (5) based on Section 173 (7) of the Criminal Code. Such action seeks -on the basis of the nullity of the decree that approved the bidding process involving the Dársena Norte property- the restitution of the property and a reimbursement in favor of Tandanor for all such amounts it has allegedly lost as a result of a suspected fraudulent transaction involving the sale of the property. Puerto Retiro has presented the allegation on the merit of the evidence, highlighting that the current shareholders of PUERTO RETIRO did not participate in any of the suspected acts in the criminal case since they acquired the shares for consideration and in good faith several years after the facts told in the process. Likewise, it was emphasized that the company PUERTO RETIRO is foreign - beyond its founders - to the bidding / privatization carried out for the sale of TANDANOR shares. The dictation of the sentence is expected.

In the criminal action, the claimant reported the violation by Puerto Retiro of the injunction ordered by the criminal court consisting in an order to stay (*prohibición de innovar*) and not to contract with respect to the property disputed in the civil action. As a result of such report, the Federal Court (*Tribunal Oral Federal*) No. 5 started interlocutory proceedings, and on June 8, 2017, it ordered and carried out the closing of the property that was subject to the lease agreements with Los Cipreses S.A. and Flight Express S.A. with the aim of enforcing the referred order. As a result, the proceedings were forwarded to the Criminal Court for it to appoint the court that will investigate the alleged commission of the crime of contempt.

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

Solares de Santa María – City of de Buenos Aires (IRSA)

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

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

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

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

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

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

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

Residential:

Coto Residential Project (IRSA CP)

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

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

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

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

Caballito Plot – City of Buenos Aires (IRSA)

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

A neighborhood association named *Asociación Civil y Vecinal SOS Caballito* secured a preliminary injunction which suspended the works to be carried out by TGLT in the abovementioned property. Once said preliminary injunction was deemed final, the Government of the City of Buenos Aires and TGLT were served notice of the complaint. On April 2018 the Distract of tht Barter Agreement between TGLT and IRSA was signed, and the company recovered the land. In July 2018 the Superior Court of Justice issued a favorable verdict allowing the construction of 57,192 sqm of apartments on the plot.

Retail:

Caballito Plot – City of Buenos Aires (IRSA CP)

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

Offices:

Polo Dot 2nd and 3rd Stages – City of Buenos Aires (IRSA CP)

These two parcels of 6,400 sqm with construction capacity of 33,485 sqm, are at present a significant land reserve jointly with a plot where the extension of Dot Baires Shopping is planned. As a result of major developments, the intersection of Av. General Paz and the Panamerican Highway has experienced a significant growth in recent years. In April 2018, both plots were unified into a single one of 12,800 m2.

Intercontinental Plaza II Plot - City of Buenos Aires (IRSA CP)

In the heart of the neighborhood of Monserrat, just a few meters away from the most important avenue in the city and the financial center, is the Intercontinental Plaza complex formed by an office tower and the exclusive Hotel Intercontinental. In the current plot of 6,135 square meters a second office tower of 19,600 square meters and 25 stories could be built to supplement the tower currently located in the intersection of Moreno and Tacuarí streets.

Other Land Reserves

Other Land Reserves – Pilar, Pontevedra, Mariano Acosta, Merlo, San Luis Plot, Llao Llao Plot and Casona Abril remaining surface

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 7million sqm.

Isla Sirgadero

On September 3, 2015, the entire property of 10,083,270 sqm was sold to several companies for USD 3.9 million, payable in 16 quarterly installments, plus an installment in kind, land resulting from the final blueprint, equivalent to 10% of the surface area. Delivery of the non-monetary consideration, consisting in 1,083,327 sqm, is pending.

Disposals of Investment Properties in Fiscal Year 2018

The result from the sale of investment properties during the fiscal year 2018 was ARS 425.6 million, compared to ARS 100.4 during 2017.

(in ARS)	FY 2018	
Sold Asset	**Income**	**Result**
Maipu 1300 - 5 various parking spaces	4,537,000	4,332,966
Maipu 1300 - 13 & 2 floor parking spaces	21,316,450	19,788,114
Maipu 1300 1st and 2nd floor - 37 and 40 parking spaces from 1st floor	32,007,500	28,590,041
Libertador 498 (29 floor, 7 UC and 7 parking spaces)	85,470,000	82,191,098
BAICOM landplot	243,600,000	235,234,811
Intercontinental 2nd floor	78,946,429	55,488,439
TOTAL FY 2018	**465,877,379**	**425,625,469**

(in ARS)	FY 2017	
Sold Asset	**Income**	**Result**
Maipu 1300 - 23rd floor	22,518,000	21,163,803
Maipu 1300 - Ground floor shop	11,737,500	11,275,161
Rivadavia 2774 - 2nd and 3rd floor	3,119,000	2,770,661
Intercontinental	141,183,000	65,165,000
TOTAL FY 2017	**178,557,500**	**100,374,625**

International Segment

Lipstick Building, New York, United States

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

As of June 30, 2018, the building's occupancy rate was 96.9%, thus generating an average rent of USD 77.5 per sqm.

Lipstick	Jun-18	Jun-17	YoY Var
Gross Leaseable Area (sqm)	58,092	58,094	-
Occupancy	96.9%	95.2%	1.7 p.p.
Rental price (USD/sqm)	77.5	69.2	12.0%

During 2018 we have successfully refinanced the "Lipstick" building debt, reducing it from USD 113 million to USD 53 million, extending the term to April 30, 2020 and reducing the loan interest rate from the Libor + 4% to Libor + 2%. Our main challenge in the future will be to continue optimizing its financing structure and to occupy the sqm that will be released by its main tenant, Latham & Watkins, in the fiscal year 2021.

Investment in Condor Hospitality Trust

We maintain our investment in the Condor Hospitality Trust Hotel REIT (NASDAQ: CDOR) mainly through our subsidiary Real Estate Investment Group VII L.P. ("REIG VII"), in which we hold a 100% interest. Condor is a REIT listed in Nasdaq focused on medium-class hotels located in various states of the United States of America, managed by various operators and franchises.

Condor's investment strategy is to build a *branded premium, select service* hotels portfolio within the top 100 Metropolitan Statistical Areas ("MSA") with a particular focus on the range of MSA 20 to 60. Since the beginning of the reconversion of the hotel portfolio in 2015, Condor has acquired 14 high quality *select service* hotels in its target markets for a total purchase price of approximately $ 277 million. In addition, during this time, he has sold 53 *legacy assets* for a total value of approximately $ 161 million.

As of June 30, 2018, the Group held 2,245,100 common shares of Condor's capital stock, accounting for approximately 18.9% of that company's capital stock and votes. The Group also held 325,752 Series E preferred shares, and a promissory note convertible into 64,964 common shares (at a price of USD 10.4 each).

Financial Operations and Others Segment

Our interest in Banco Hipotecario

As of June 30, 2018, we held a 29.91% interest in Banco Hipotecario. Established in 1886 by the argentine government and privatized in 1999, Banco Hipotecario has historically been Argentina's leading mortgage lender, provider of mortgage-related insurance and mortgage loan services. All of its operations are located in Argentina where it operates a nationwide network of 64 branches in the 23 Argentine provinces and the City of Buenos Aires, and 15 additional sales offices throughout Argentina. Additionally, its subsidiary Tarshop S.A. has 24 sales offices.

Banco Hipotecario is an inclusive commercial bank that provides universal banking services, offering a wide variety of banking products and activities, including a wide range of individual and corporate loans, deposits, credit and debit cards and related financial services to individuals, small-and medium-sized companies and large corporations. As of February 28, 2018, Banco Hipotecario ranked eleventh in the Argentine financial system in terms of totals assets and teenth in terms of loans. As of June 30, 2018, Banco Hipotecario's shareholders' equity was Ps. 8,719.2 million, its consolidated assets were Ps. 81,717 million, and its net income for the twelve-month period ended December 31, 2017 was Ps. 1,593.0 million. Since 1999, Banco Hipotecario's shares have been listed on the Buenos Aires Stock Exchange in Argentina, and since 2006 it has had a Level I ADR program.

Banco Hipotecario continues its business strategy of diversifying its loan portfolio. As a result, non-mortgage loans increased from Ps. 14,845.9 million as of December 31, 2014 to Ps. 17,944.7 million as of December 31, 2015, from Ps. 24,305.4 million as of December 31, 2016 to Ps. 35,810.7 million as of December 31, 2017 and to Ps. 41,797.0 million as of June 30, 2018, increasing the interest in the aggregate loan portfolio to the non-financial private sector (without considering mortgage loans) from 84.1% as of December 31, 2014 to 90.6% as of June 30, 2018. Non-performing loans represented 4.5% of its total portfolio as of June 30, 2018.

Furthermore, Banco Hipotecario has diversified its funding sources, by developing its presence in the local and international capital markets and increasing its deposit base. Its financial debt represented 53.5% of the total financing as of June 30, 2017.

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

On April 9, 2018, Banco Hipotecario approved the distribution of a cash dividend of ARS 200 million, which was made available on April 23, 2018. The company has received ARS 59.8 million, according to its stake in the bank.

Operations Center in Israel

Investment in IDB Development Corporation and Discount Investment Corporation ("DIC")

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

- The "**Commercial Properties**" segment mainly includes the assets and profit from operations derived from the business related to the subsidiary PBC. Through PBC, the Group operates rental and residential properties in Israel, United States and other locations in the world, and executes commercial projects in Las Vegas, United States of America.

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

Segment Results

The following table sets for the results of our Operations Center in Israel for the consolidated 12-month period ended in 2018 and 2017

Operations Center in Israel (ARS Million)

	june 30, 2018						
	Operations Center in Israel						
	Real Estate	**Supermarkets**	**Telecommunications**	**Insurance**	**Corporate**	**Others**	**Total**
Revenues from sales, leases and services	6,180	60,470	19,347	-	-	583	86,580
Costs	(2,619)	(44,563)	(13,899)	-	-	(314)	(61,395)
Gross profit	**3,561**	**15,907**	**5,448**	**-**	**-**	**269**	**25,185**
Gain from disposal of investment properties	1,996	164	-	-	-	-	2,160
General and administrative expenses	(363)	(878)	(1,810)	-	(374)	(445)	(3,870)
Selling expenses	(115)	(12,749)	(3,974)	-	-	(148)	(16,986)
Other operating results, net	98	(177)	140	-	434	(28)	467
Profit / (loss) from operations	**5,177**	**2,267**	**(196)**	**-**	**60**	**(352)**	**6,956**
Share of profit / (loss) of associates and joint ventures	167	20	-	-	-	(230)	(43)
Segment profit / (loss)	**5,344**	**2,287**	**(196)**	**-**	**60**	**(582)**	**6,913**
Reportable assets	134,038	13,304	49,797	12,254	21,231	36,178	266,802
Reportable liabilities	(104,202)	-	(38,804)	(1,214)	(68,574)	(2,658)	(215,452)
Net Reportable assets /(liabilities)	**29,836**	**13,304**	**10,993**	**11,040**	**(47,343)**	**33,520**	**51,350**

	june 30, 2017						
	Operations Center in Israel						
	Real Estate	**Supermarkets**	**Telecommunications**	**Insurance**	**Corporate**	**Others**	**Total**
Revenues from sales, leases and services	4,918	47,277	15,964	-	-	263	68,422
Costs	(2,333)	(35,432)	(11,183)	-	-	(162)	(49,110)
Gross profit	**2,585**	**11,845**	**4,781**	**-**	**-**	**101**	**19,312**
Gain from disposal of investment properties	261	113	-	-	-	-	374
General and administrative expenses	(290)	(627)	(1,592)	-	(384)	(280)	(3,173)
Selling expenses	(91)	(9,517)	(3,406)	-	-	(79)	(13,093)
Other operating results, net	46	(52)	(36)	-	(48)	(106)	(196)
Profit / (loss) from operations	**2,511**	**1,762**	**(253)**	**-**	**(432)**	**(364)**	**3,224**
Share of profit / (loss) of associates and joint ventures	46	75	-	-	-	(16)	105
Segment profit / (loss)	**2,557**	**1,837**	**(253)**	**-**	**(432)**	**(380)**	**3,329**
Reportable assets	79,427	38,521	31,648	8,562	14,734	6,072	178,964
Reportable liabilities	(64,100)	(29,239)	(25,032)	-	(33,705)	(3,159)	(155,235)
Net Reportable assets /(liabilities)	**15,327**	**9,282**	**6,616**	**8,562**	**(18,971)**	**2,913**	**23,729**

Revenues and operating income of the **Real Estate** segment through the subsidiary Property & Building ("PBC") reached in the 12-month period ended June 30, 2018 $ 6,180 million and $ 5,177 million, respectively, and for the same period ended on June 30, 2017, reached $ 4,918 million and $ 2,511 million respectively. This is mainly due to an average depreciation of 27% of the Argentine peso against the Israeli shekel, an increase of approximately 25,000 m2 compared to fiscal year 2017 and an increase in the value of the rent. Additionally, the market was characterized by maintaining stability in terms of demand and occupancy rates, maintaining a high occupancy rate of approximately 97%.

The segment of **Supermarkets**, through Shufersal, reached in fiscal year 2018 revenues of $ 60,470 million, while the operating result of this segment reached $ 2,267 million, during fiscal year 2017 the revenues were of $ 47,277 million, while the operating result of this segment was $ 1,762 million. This is mainly due to an average depreciation of 27% of the Argentine peso against the Israeli shekel, the consolidation of New Pharm in Shufersal starting in 3Q of 2018, started by an increase in marketing expenses because of the new ICC card. Additionally, the mix of the portfolio, where the own brand gained participation, was improved generating an increase in profitability followed by a reduction in distribution costs from the automation of a Shufersal plant.

The **Telecommunications** segment carried out by "Cellcom" reached in the 12-month period ended June 30, 2018 the $ 19,347 million incomes and an operating loss of $ 196 million. For the same period in 2017, revenues were $ 15,964 million and operating loss of $ 253 million. This is mainly due to an average depreciation of 27% of the Argentine peso against the Israeli shekel and to the constant erosion in revenues from mobile services, which was partially offset by an increase in revenues related to landlines, television and the internet. In addition, content costs for television and internet increased more than the revenues generated, as well as an increase in marketing expenses in order to attract more customers

The "**Other**" segment reached revenues in the 12-month period ended June 30, 2018 for $ 583 million and an operating loss of $ 352 million. During the same period ended June 30, 2017, it reached revenues of $ 263 million and an operating loss of $ 364 million. This is mainly due to an average depreciation of 27% of the Argentine peso against the Israeli shekel and an improvement in Epsilon's revenues.

The "**Corporate**" segment reached in the 12-month period ended June 30, 2018 an operating result of $ 60 million and for the same period ended June 30, 2017, an operating loss of $ 432 million. This is mainly due to an average depreciation of 27% of the Argentine peso against the Israeli shekel and a positive result of NIS 80 Million was registered for the favourable resolution in the Ma'ariv trial.

In relation to "Clal", the Group values its holding in said **insurance** company as a financial asset at market value. The valuation of Clal's shares as of 06/30/2018 raised to $ 12,254 million.

Following instructions imparted by Israel’s Capital Market, Insurance and Savings Commission to the Trustee regarding the guidelines for selling Clal’s shares, during and after fiscal year 2018, IDBD sold an additional 20% of its equity interest in Clal by way of four swap transaction, pursuant to terms identical to those applied to the swap transaction made and reported to the market on May 3, 2017. Upon completion of these transactions, IDBD’s equity interest in Clal was reduced to 29.8% of its stock capital. In addition, IDBD is entitled to a potencial result, in the framework of swap transactions, which amounts to 25% of Clal's shares.

4. MATERIAL AND SUBSEQUENT EVENTS

Operations Center in Argentina

July 2017: Sale of BAICOM land reserve

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

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

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

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

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

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

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

October 2017: Sale of Equity Interest in IRSA Propiedades Comerciales

On October 26, 2017, the Company sold 10,240,000 common shares of ARS 1.00 pare value each, represented by American Depositary Shares ("ADS"), in the over-the-counter market. Each ADS represents four common shares of IRSA Propiedades Comerciales S.A., accounting for 8.1% of its stock capital. After the consummation of this transaction, the Company's equity interest in IRSA CP is now 86.5%.

October 2017: General Ordinary and Extraordinary Shareholders' Meeting

At the General Ordinary and Extraordinary Shareholders' Meeting held on October 31, 2017, the following matters, inter alia, were resolved:

- Distribution of a cash dividend for ARS 1,400 million.
- Fees payable to the Board of Directors and Supervisory Committee for fiscal year 2017 closed as of June 30, 2017.
- Renewal of regular and alternate Directors due to expiration of their terms and appointment of new alternate director.
- Creation of a new Global Note Program for up to USD 350 million.

November 2017: Payment of cash dividend

At the Board meeting held on November 1, 2017, it was resolved to make available to the shareholders, as from November 14, 2017, a cash dividend of Ps. 1,400,000,000 (Argentine legal tender) equivalent to 241,931389433% of the Stock Capital, i.e., an amount per share (ARS 1 par value) of $2.41931389433 and an amount per ADR (Argentine Pesos per ADR) of $24.1931389433 to be charged against the fiscal year ended June 30, 2017, which was paid to all the shareholders recorded as such as of November 13, 2017, according to the register kept by Caja de Valores S.A.

Operations Center in Israel

November 2017: Purchase of DIC shares by Dolphin

As mentioned in Note 7 to the Consolidated Financial Statements as of June 30, 2017, in connection with the Promotion of Competition and Reduction of Concentration Law in Israel, after June 30, 2017, Dolphin Netherlands B.V. made a non-binding tender offer for the acquisition of all DIC shares held by IDBD. For purposes of the transaction, a committee of independent Directors has been set up to assess the tender offer and negotiate the terms and conditions. The Audit Committee has issued an opinion without reservations as to the transaction in accordance with the terms of section 72 et al. of the Capital Markets Law N° 26,831.

In November 2017, Dolphin IL Investment Ltd. (Dolphin IL), a subsidiary of Dolphin Netherlands B.V., has subscribed the final documents for the acquisition of the total shares owned by IDBD in DIC.

The transaction has been made for an amount of NIS 1,843 million (equivalent to NIS 17.20 per share of DIC). The consideration was paid NIS 70 million in cash (equivalent to Ps. 348 million as of the date of the transaction) and NIS 1,773 million (equivalent to Ps. 8,814 million as of the date of the transaction) was financed by IDBD to Dolphin, maturing in five years, with the possibility of an extension of three additional years in tranches of one year each, that will accrue an initial interest of 6.5% annually, which will increase by 1% annually in case of extension for each year. In addition to these payment conditions the payment of NIS 70 million in cash is added. Furthermore, guarantees have been implemented for IDBD, for IDBD bondholders and their creditors, through pledges of different degree of privilege over DIC shares resulting from the purchase. Moreover, a pledge will be granted in relation to 9,636,097 (equivalent to 6.38%) of the shares of DIC that Dolphin currently holds in the first degree of privilege in favor of IDBD and in second degree of privilege in favor of IDBD's creditors. This transaction has no effect in the Groups consolidation structure and has been accounted in equity as a decrease in the equity holders of the parent for an amount of Ps. 114 million.

It should be noted that the financial position of IDBD and its subsidiaries at the Operations Center in Israel does not affect the financial position of IRSA and subsidiaries at the Operations Center in Argentina. In addition, the commitments and other covenants resulting from IDBD's financial debt do not have impact on IRSA since such indebtedness has no recourse against IRSA and it is not granted by IRSA's assets.

November 2017: Purchase offer by Clal

In July 2017, IDBD received a non-binding offer from an international group for the potential acquisition of its entire interest in Clal. For consideration that will be based on the equity value of Clal, in accordance with Clal Financial Statement at the time of specifying the transaction and is subject to the performance of a due diligence and the execution of an agreement, as well as getting the approvals required by law. IDBD is analyzing the offer. On June 30, 2017, this value amounted to NIS 4,880 million (equivalent to approximately Ps. 23,278 million as of the date of these Financial Statements), at the proportionate equity interest as of the date of the transaction. In November 2017 the period to perform each party undertaking expired. However, the parties are continuing to conduct negotiations in connection with the sale of the sold shares. There is no certainty that the offer will go forward under the terms offered, or that the transaction will be completed.

December 2017: Purchase of shares of IDBD to IFISA

In December 1, 2017, Dolphin Netherlands BV (Dolphin), has executed a share purchase agreement for all of the shares that IFISA held of IDBB, which amounted to 31.7% of the capital stock. In this way, as of the end of December 31, 2017, Dolphin controls 100% of IDBD's shares.

The transaction was made at a price of NIS 398 million (equivalent to NIS 1.968 per share and approximately to Ps. 1,968 million as of the date of the transaction). As consideration of the transaction all receivables from Dolphin to IFISA have been canceled plus a payment of USD 33.7 million (equivalents to Ps. 588 million as of the date of the transaction). This transaction was accounted in equity as a decrease in the equity holders of the parent for an amount of Ps. 2,923 million.

May 2018: DIC shares swap

On May 6, 2018 IDBD agreed on a SWAP on shares of DIC held by third parties with a banking entity not related to the group for a period of one year with the possibility of extending an additional year. The total of shares subject to the agreement is 6,020,811 and the value of the swap at the time of subscription is on average NIS 10,12 per share, approximately NIS 60 million (approximately $ 342 million on the day of the transaction). The present transaction will be settled in cash for the difference between the quotation at the end of the agreement and the agreed price. For this transaction, the group has not increased its participation in DIC for this transaction and granted guarantees on certain financial assets.

June 2018: Sale of Shufersal shares

On June 20, 2018, DIC has sold to institutional investors a 16.56% stake of Shufersal Ltd. stock capital for an amount of NIS 853.7 million (NIS / share 21.83) reducing its stake from 50.1% to approximately 33.6% of its capital stock and ceasing to control Shufersal Ltd. As a result, DIC will discontinue the consolidation of Shufersal's financial statements in its financial statements.

The accounting profit of this operation and the revaluation at fair value of the remaining stake in Shufersal Ltd. amounts to ARS 8,500 million and will be recognized in IRSA´s financial statements of the fourth quarter of fiscal year 2018.

5. LEGAL FRAMEWORK

<u>Operations Center in Argentina</u>

Regulation and Governmental Supervision

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

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

Leases

Argentine law imposes certain restrictions on property owners, including:

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

Rent Increase

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

Limits on lease terms

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

Early Termination Rights

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

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

Other

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

Development and Use of the Land

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

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

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

Sales and Ownership

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

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

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

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

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

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

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

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

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

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

Other Regulations

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Insurance

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

Operations Center in Israel

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

Centralization Law

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

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

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

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

Antitrust Law

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

Banking System Directives

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

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

Regulatory Framework applicable to the Activities performed by IDBD & DIC’s subsidiaries

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

6. SUMMARY OF CONSOLIDATED FINANCIAL AND OPERATIONAL INFORMATION

Below is a summary of the Group's business lines and a reconciliation between the total of the operating result according to the information by segments and the operating result according to the income statement for the years ended June 30, 2018 and 2017.

(en millones de pesos)

	Operations Center in Argentina			Operations Center in Israel			Total segment information			Joint ventures		
	06.30.18	06.30.17	Variation	06.30.18	06.30.17	Variation	06.30.18	06.30.17	Variation	06.30.18	06.30.17	Variation
Revenues	5,308	4,311	997	86,580	68,422	18,158	91,888	72,733	19,155	(46)	(41)	(5)
Costs	(1,066)	(912)	(154)	(61,395)	(49,110)	(12,285)	(62,461)	(50,022)	(12,439)	29	18	11
Gross profit	**4,242**	**3,399**	**843**	**25,185**	**19,312**	**5,873**	**29,427**	**22,711**	**6,716**	**(17)**	**(23)**	**6**
Net gain from fair value adjustment of investment properties	21,347	4,271	17,076	2,160	374	1,786	23,507	4,645	18,862	(738)	(192)	(546)
General and administrative expenses	(903)	(683)	(220)	(3,870)	(3,173)	(697)	(4,773)	(3,856)	(917)	13	5	8
Selling expenses	(432)	(355)	(77)	(16,986)	(13,093)	(3,893)	(17,418)	(13,448)	(3,970)	6	5	1
Other operating results, net	(78)	(68)	(10)	467	(196)	663	389	(264)	653	19	(6)	25
Profit / (loss) from operations	**24,176**	**6,564**	**17,612**	**6,956**	**3,224**	**3,732**	**31,132**	**9,788**	**21,344**	**(717)**	**(211)**	**(506)**
Share of (loss) of associates and joint ventures	(1,269)	(94)	(1,175)	(43)	105	(148)	(1,312)	11	(1,323)	611	174	437
Segment profit / (loss)	**22,907**	**6,470**	**16,437**	**6,913**	**3,329**	**3,584**	**29,820**	**9,799**	**20,021**	**(106)**	**(37)**	**(69)**
Reportable assets	66,443	44,885	21,558	266,802	178,964	87,838	333,245	223,849	109,396	(347)	(193)	(154)
Reportable liabilities	-	-	-	(215,452)	(155,235)	(60,217)	(215,452)	(155,235)	(60,217)	-	-	-
Net reportable assets	**66,443**	**44,885**	**21,558**	**51,350**	**23,729**	**27,621**	**117,793**	**68,614**	**49,179**	**(347)**	**(193)**	**(154)**

	Discontinued operations			Expenses and collective promotion funds			Elimination of inter-segment transactions and non-reportable assets / liabilities			Total as per statement of income / statement of financial position		
	06.30.18	06.30.17	Variation	06.30.18	06.30.17	Variation	06.30.18	06.30.17	Variation	06.30.18	06.30.17	Variation
Revenues	(60,470)	(47,168)	(13,302)	1,726	1,490	236	(10)	(10)	-	33,088	27,004	6,084
Costs	44,563	35,488	9,075	(1,760)	(1,517)	(243)	-	-	-	(19,629)	(16,033)	(3,596)
Gross profit	**(15,907)**	**(11,680)**	**(4,227)**	**(34)**	**(27)**	**(7)**	**(10)**	**(10)**	**-**	**13,459**	**10,971**	**2,488**
Net gain from fair value adjustment of investment properties	(164)	(113)	(51)	-	-	-	-	-	-	22,605	4,340	18,265
General and administrative expenses	878	624	254	-	-	-	13	8	5	(3,869)	(3,219)	(650)
Selling expenses	12,749	9,434	3,315	-	-	-	-	2	(2)	(4,663)	(4,007)	(656)
Other operating results, net	177	64	113	-	-	-	(3)	-	(3)	582	(206)	788
Profit / (loss) from operations	**(2,267)**	**(1,671)**	**(596)**	**(34)**	**(27)**	**(7)**	**-**	**-**	**-**	**28,114**	**7,879**	**20,235**
Share of (loss) of associates and joint ventures	(20)	(76)	56	-	-	-	-	-	-	(721)	109	(830)
Segment profit / (loss)	**(2,287)**	**(1,747)**	**(540)**	**(34)**	**(27)**	**(7)**	**-**	**-**	**-**	**27,393**	**7,988**	**19,405**
Reportable assets	(13,303)	-	(13,303)	-	-	-	16,178	7,586	8,592	335,773	231,242	104,531
Reportable liabilities	-	-	-	-	-	-	(45,780)	(28,671)	(17,109)	(261,232)	(183,906)	(77,326)
Net reportable assets	**(13,303)**	**-**	**(13,303)**	**-**	**-**	**-**	**(29,602)**	**(21,085)**	**(8,517)**	**74,541**	**47,336**	**27,205**

Below is a summary analysis of the business lines of the Operations Center in Argentina for the years ended June 30, 2018 and 2017

(en millones de pesos)

	Shopping Mallss			Offices			Sales and developments			Hotels		
	06.30.18	06.30.17	Variation	06.30.18	06.30.17	Variation	06.30.18	06.30.17	Variation	06.30.18	06.30.17	Variation
Revenues	3,665	3,047	618	532	434	98	120	99	21	973	725	248
Costs	(330)	(350)	20	(45)	(29)	(16)	(44)	(43)	(1)	(624)	(486)	(138)
Gross profit	**3,335**	**2,697**	**638**	**487**	**405**	**82**	**76**	**56**	**20**	**349**	**239**	**110**
Net gain from fair value adjustment of investment properties	11,340	2,068	9,272	5,004	1,359	3,645	4,771	849	3,922	-	-	-
General and administrative expenses	(320)	(261)	(59)	(87)	(70)	(17)	(78)	(40)	(38)	(193)	(135)	(58)
Selling expenses	(238)	(188)	(50)	(57)	(46)	(11)	(21)	(21)	-	(114)	(97)	(17)
Other operating results, net	(57)	(58)	1	(4)	(12)	8	11	(36)	47	(17)	(1)	(16)
Profit / (loss) from operations	**14,060**	**4,258**	**9,802**	**5,343**	**1,636**	**3,707**	**4,759**	**808**	**3,951**	**25**	**6**	**19**
Share of (loss) of associates and joint ventures	-	-	-	-	-	-	26	14	12	-	-	-
Segment profit / (loss)	**14,060**	**4,258**	**9,802**	**5,343**	**1,636**	**3,707**	**4,785**	**822**	**3,963**	**25**	**6**	**19**
Reportable assets	40,550	28,878	11,672	13,174	7,499	5,675	10,878	5,468	5,410	172	167	5
Reportable liabilities	-	-	-	-	-	-	-		-	-	-	-
Net reportable assets	**40,550**	**28,878**	**11,672**	**13,174**	**7,499**	**5,675**	**10,878**	**5,468**	**5,410**	**172**	**167**	**5**

	International			Corporate			Others			Total		
	06.30.18	06.30.17	Variation	06.30.18	06.30.17	Variation	06.30.18	06.30.17	Variation	06.30.18	06.30.17	Variation
Revenues	-	-	-	-	-	-	18	6	12	5,308	4,311	997
Costs	-	-	-	-	-	-	(23)	(4)	(19)	(1,066)	(912)	(154)
Gross profit	**-**	**-**	**-**	**-**	**-**	**-**	**(5)**	**2**	**(7)**	**4,242**	**3,399**	**843**
Net gain from fair value adjustment of investment properties	-	-	-	-	-	-	232	(5)	237	21,347	4,271	17,076
General and administrative expenses	(46)	(43)	(3)	(151)	(132)	(19)	(28)	(2)	(26)	(903)	(683)	(220)
Selling expenses	-	-	-	-	-	-	(2)	(3)	1	(432)	(355)	(77)
Other operating results, net	(23)	27	(50)	-	-	-	12	12	-	(78)	(68)	(10)
Profit / (loss) from operations	**(69)**	**(16)**	**(53)**	**(151)**	**(132)**	**(19)**	**209**	**4**	**205**	**24,176**	**6,564**	**17,612**
Share of (loss) of associates and joint ventures	(1,923)	(196)	(1,727)	-	-	-	628	88	540	(1,269)	(94)	(1,175)
Segment profit / (loss)	**(1,992)**	**(212)**	**(1,780)**	**(151)**	**(132)**	**(19)**	**837**	**92**	**745**	**22,907**	**6,470**	**16,437**
Reportable assets	(1,651)	572	(2,223)	-	-	-	3,320	2,301	1,019	66,443	44,885	21,558
Reportable liabilities	-	-	-	-	-	-	-	-	-	-	-	-
Net reportable assets	**(1,651)**	**572**	**(2,223)**	**-**	**-**	**-**	**3,320**	**2,301**	**1,019**	**66,443**	**44,885**	**21,558**

Below is a summary analysis of the business lines of the Operations Center in Israel for the years ended June 30, 2018 and 2017

(en millones de pesos)

	Real Estate			Supermarkets			Telecommunications			Insurance		
	06.30.18	06.30.17	Variation	06.30.18	06.30.17	Variation	06.30.18	06.30.17	Variation	06.30.18	06.30.17	Variation
Revenues	6,180	4,918	1,262	60,470	47,277	13,193	19,347	15,964	3,383	-	-	-
Costs	(2,619)	(2,333)	(286)	(44,563)	(35,432)	(9,131)	(13,899)	(11,183)	(2,716)	-	-	-
Gross profit	**3,561**	**2,585**	**976**	**15,907**	**11,845**	**4,062**	**5,448**	**4,781**	**667**	**-**	**-**	**-**
Net gain from fair value adjustment of investment properties	1,996	261	1,735	164	113	51	-	-	-	-	-	-
General and administrative expenses	(363)	(290)	(73)	(878)	(627)	(251)	(1,810)	(1,592)	(218)	-	-	-
Selling expenses	(115)	(91)	(24)	(12,749)	(9,517)	(3,232)	(3,974)	(3,406)	(568)	-	-	-
Other operating results, net	98	46	52	(177)	(52)	(125)	140	(36)	176	-	-	-
Profit / (loss) from operations	**5,177**	**2,511**	**2,666**	**2,267**	**1,762**	**505**	**(196)**	**(253)**	**57**	**-**	**-**	**-**
Share of (loss) of associates and joint ventures	167	46	121	20	75	(55)	-	-	-	-	-	-
Segment profit / (loss)	**5,344**	**2,557**	**2,787**	**2,287**	**1,837**	**450**	**(196)**	**(253)**	**57**	**-**	**-**	**-**
Reportable assets	134,038	79,427	54,611	13,304	38,521	(25,217)	49,797	31,648	18,149	12,254	8,562	3,692
Reportable liabilities	(104,202)	(64,100)	(40,102)	-	(29,239)	29,239	(38,804)	(25,032)	(13,772)	(1,214)	-	(1,214)
Net reportable assets	**29,836**	**15,327**	**14,509**	**13,304**	**9,282**	**4,022**	**10,993**	**6,616**	**4,377**	**11,040**	**8,562**	**2,478**

	Corporate			Others			Total		
	06.30.18	06.30.17	Variation	06.30.18	06.30.17	Variation	06.30.18	06.30.17	Variation
Revenues	-	-	-	583	263	320	86,580	68,422	18,158
Costs	-	-	-	(314)	(162)	(152)	(61,395)	(49,110)	(12,285)
Gross profit	**-**	**-**	**-**	**269**	**101**	**168**	**25,185**	**19,312**	**5,873**
Net gain from fair value adjustment of investment properties	-	-	-	-	-	-	2,160	374	1,786
General and administrative expenses	(374)	(384)	10	(445)	(280)	(165)	(3,870)	(3,173)	(697)
Selling expenses	-	-	-	(148)	(79)	(69)	(16,986)	(13,093)	(3,893)
Other operating results, net	434	(48)	482	(28)	(106)	78	467	(196)	663
Profit / (loss) from operations	**60**	**(432)**	**492**	**(352)**	**(364)**	**12**	**6,956**	**3,224**	**3,732**
Share of (loss) of associates and joint ventures	-	-	-	(230)	(16)	(214)	(43)	105	(148)
Segment profit / (loss)	**60**	**(432)**	**492**	**(582)**	**(380)**	**(202)**	**6,913**	**3,329**	**3,584**
Reportable assets	21,231	14,734	6,497	36,178	6,072	30,106	266,802	178,964	87,838
Reportable liabilities	(68,574)	(33,705)	(34,869)	(2,658)	(3,159)	501	(215,452)	(155,235)	(60,217)
Net reportable assets	**(47,343)**	**(18,971)**	**(28,372)**	**33,520**	**2,913**	**30,607**	**51,350**	**23,729**	**27,621**

Results of the operations corresponding to the fiscal years ended on June 30, 2018 and 2017.

Revenue 2018 vs 2017

Revenue from sales, leases and services, according to the income statement, increased by Ps.6,084 million, from Ps.27,004 million during fiscal year 2017 to Ps.33,088 million during fiscal year 2018 (out of which Ps.5,308 million were generated by the Operations Center in Argentina and Ps.86,580 million come from the Operations Center in Israel, the latter are compensated with the effect of the deconsolidation of Shufersal for Ps.60,470). Excluding revenues from the Operations Center in Israel, revenues from sales, leases and services increased by 23.1%.

On the other hand, the corresponding revenues for expenses and collective promotion fund increased by 15.8%, from Ps.1,490 million (out of which Ps.1,375 million are allocated to the Shopping Malls segment and Ps.115 million in the Office segment of the Operations Center in Argentina) during fiscal year 2017, to Ps.1,726 million (out of which Ps.1,608 million are allocated to the Shopping Malls segment and Ps.118 million to the Office segment) during fiscal year 2018.

Likewise, revenues from our joint ventures increased by 12.2%, from Ps.41 million during fiscal year 2017 (out of which Ps.26 million are allocated to the Shopping Malls segment, Ps.14 million to the Offices segment and Ps.1 million to the Sales and Development Segment of the Operations Center in Argentina) to Ps.46 million during fiscal year 2018 (of which Ps.33 million are allocated to the Shopping Malls segment, Ps.8 million to the Offices segment and Ps.5 million to the Sales and Development Segment of the Operations Center in Argentina).

Finally, income inter-segment remained the same in both years.

Furthermore, according to the information by segments (taking into account the revenue from our joint ventures and without considering the revenues corresponding to the expenses and the fund of collective promotions or the revenue between business segments), the revenue experienced a growth of Ps.19,155 million, from Ps.72,733 million during fiscal year 2017 to Ps.91,888 million during fiscal year 2018 (out of which Ps.86.580 million come from the Operations Center in Israel and Ps.5,308 million come from the Operations Center in Argentina). Without considering the income from the Operations Center in Israel, the revenues, according to the information by segments, increased by 23.1%.

Operations Center in Argentina

Shopping Malls. Revenues from the Shopping Malls segment increased by 20.3% from Ps.3,047 million during fiscal year 2017 to Ps.3,665 million during fiscal year 2018. This increase is mainly attributable to: (i) an increase of Ps.576 million in revenues from base and percentage rents stemming as a result of a 24.9% increase in our tenants' total sales, which increased from Ps.34 million during fiscal year 2017 to Ps.43 million during fiscal year 2018; (ii) an increase of Ps.82 million in revenue from admission fees; (iii) an increase of Ps.44 million in parking revenues, partially offset by (iv) a decrease of Ps.63 million in the escalation rents.

Offices. Revenues from the Offices segment increased 22.6% from Ps.434 million during fiscal year 2017 to Ps.532 million during fiscal year 2018. They were affected by the sales of investment properties carried out during fiscal year 2018, which generated a reduction in the total leasable area of the segment. Rental revenue increased 22.6%, from Ps.419 million during fiscal year 2017 to Ps.514 million during fiscal year 2018, mainly due to the devaluation.

Sales and developments. Revenue from the Sales and Developments segment registered an increase of 21.2%, from Ps.99 million during fiscal year 2017 to Ps.120 million during fiscal year 2018. This segment often varies significantly from year to year due to the no recurrence of the different sales operations carried out by the Group over time. This increase is mainly due to the sales of apartment units and parking lots of Beruti, floors and parking spaces of Maipú 1300, Libertador and Intercontinental building and the sale of Baicom’s plot of land.

Hotels. Revenues from our Hotels segment increased by 34.2% from Ps.725 million during fiscal year 2017 to Ps.973 million during fiscal year 2018, mainly due to an increase in the average room rate of our hotel portfolio (measure in pesos).

International. The revenue associated with our International segment did not present variations for the years presented.

Corporate. The income associated with our Corporate segment did not present variations for the years presented.

Others. Others segment revenues increased 200.0% from Ps.6 million during fiscal year 2017 to Ps.18 million during fiscal year 2018. These are mainly due to the increase in rental income of La Adela by 80% during the year 2018 and revenue from events recorded in Entertainment Holding S.A.

Operations Center in Israel

Real estate. Revenues from the Real estate segment increased from Ps.4,918 million during the year ended June 30, 2017 to Ps.6,180 million during the year ended June 30, 2018. This variation was due to (i) a 27% revaluation of the NIS against the Argentine peso, (ii) an increase in the rentable square meters and (iii) an increase in the price per square meter of the leases.

Supermarkets. Revenue from the Supermarket segment increased from Ps.47,277 million during the year ended June 30, 2017 to Ps.60,470 million during the year ended June 30, 2018. This variation was due to (i) a 27% revaluation of the NIS against the Argentine peso.

Telecommunications. Revenue from the Telecommunications segment increased from Ps.15,964 million during the year ended June 30, 2017 to Ps.19,347 million during the year ended June 30, 2018. This variation was due to (i) a 27% revaluation of the NIS against the Argentine peso, (ii) partially offset by the constant erosion in the revenues of mobile services, which was partially offset by an increase in revenues related to fixed lines, television and internet.

Others. Revenue from the Other segment increased from Ps.263 million during the year ended June 30, 2017 to Ps.583 million during the year ended June 30, 2018. This variation was due to (i) a 27% revaluation of the NIS against the Argentine peso, and (ii) to the increase in income of Bartan and Epsilon.

<u>Costs 2018 vs 2017</u>

Total consolidated costs, according to the income statement, registered an increase of Ps.3,596 million, from Ps.16,033 million during fiscal year 2017 to Ps.19,629 million during fiscal year 2018 (out of which Ps.61,395 million come from the Operations Center in Israel compensated with the effect of the deconsolidation of Shufersal for Ps.44,563 and Ps.2,797 million from the Operations Center in Argentina). Excluding costs from the Operations Center in Israel, costs increased by 16.9%. Furthermore, total consolidated costs measured as a percentage of total consolidated revenues decreased from 59.4% during fiscal year 2017 to 59.3% during fiscal year 2018, mainly from the Operations Center in Isreal. Excluding costs from the Operations Center in Israel, the total consolidated costs measured as a percentage of total revenues decreased, from 41.9% in 2017 to 40.1% in 2018.

On the other hand, the corresponding costs related to expense of the Collective Promotions Fund increased by 16.0%, from Ps.1,517 million during the year 2017 (out of which Ps.1,400 million are allocated to the Shopping Malls segment and Ps.117 million in the Office segment of the Operations Center in Argentina) to Ps.1,760 million during fiscal year 2018 (out of which Ps.1,636 million are allocated to the Shopping Malls segment and Ps.124 million to the Office segment of Operations Center in Argentina) due mainly to higher costs originated by our Shopping Malls, which increased by 16.9% from Ps.1,400 million during fiscal year 2017 to Ps.1,636 million during fiscal year 2018, mainly as a consequence of: (i) a higher expense for salaries, social security and other personnel administrative expenses of Ps.103 million; (ii) an increase in maintenance, security, cleaning, repairs and related expenses of Ps.88 million (mainly due to increases in security and cleaning services and public service rates); and (iii) an increase in taxes, fees and contributions and other expenses of Ps.51 million, among other items.

Likewise, the costs from our joint ventures showed a net increase of 61.1%, from Ps.18 million during fiscal year 2017 (out of which Ps.5 million are allocated to the Shopping Malls segment, Ps.9 million at Offices segment and Ps.4 million to the Sales and Development segment of the Operations Center in Argentina) to Ps.29 million during fiscal year 2018 (out of which Ps.5 million are allocated to the Shopping Malls segment, Ps.19 million to the Offices segment and Ps.5 million to the Sales and Development segment of the Operations Center in Argentina).

Finally, costs for operations inter-segment did not present variations for the years presented.

In this way, according to the information by segments (taking into account the costs coming from our joint ventures and without considering the costs corresponding to the expenses and collective promotion fund or the costs for operations inter-segment), the costs evidenced an increase of Ps.12,439 million, from Ps.50,022 million during fiscal year 2017 to Ps.62,461 million during fiscal year 2018 (out of which Ps.61,395 million come from the Operations Center in Israel and Ps.1,066 million from the Operations Center in Argentina). Excluding costs from the Operations Center in Israel, costs increased by 16.9%. Likewise, total costs measured as a percentage of total revenues, according to information by segments, decreased from 68.8% during fiscal year 2017 to 68.0% during fiscal year 2018, mainly from the Operations Center in Israel. Excluding the effect from the Operations Center in Israel, the total costs measured as a percentage of total revenues decreased from 21.2% during fiscal year 2017 to 20.1% during fiscal year 2018.

Operations Center in Argentina

Shopping Malls. Costs of the Shopping Malls segment decreased by 5.7%, from Ps.350 million during fiscal year 2017 to Ps.330 million during fiscal year 2018, mainly due to a decrease in leases and expenses costs of Ps.46 million due to the absorption of the fiscal deficit of the collective promotion fund. This was partially compensated by; (i) an increase in salaries, social security and other personnel administration expenses of Ps.15 million; (ii) an increase in maintenance, security, cleaning, repairs and related expenses of Ps.8 million (mainly due to increases in security and cleaning services and in public service rates) and; (iii) an increase in amortization and depreciation of Ps.14 million, among other items. The costs of the Shopping Malls segment, measured as a percentage of the revenues of this segment, decreased from 11.5% during the 2017 fiscal year to 9.0% during the 2018 fiscal year.

Offices. The costs of the Offices segment increased by 55.2%, from Ps.29 million during fiscal year 2017 to Ps.45 million during fiscal year 2018, mainly due to: (i) an increase in leases and expenses of Ps.9 million; (ii) an increase in maintenance, repairs and services expenses of Ps.6 million; (iii) an increase in taxes, fees and contributions of Ps.4 million and; (iv) an increase in fees and compensation for services of Ps 3 million; partially offset by a decrease in depreciation and amortization of Ps.5 million. The costs of the Offices segment, measured as a percentage of the revenues of this segment, increased from 6.7% during fiscal year 2017 to 8.5% during fiscal year 2018.

Sales and developments. Costs for this segment often vary significantly from year to year due to the non-recurrence of the different sales operations carried out by the Group over time. The associated costs of our Sales and Developments segment registered an increase of 2.3%, from Ps.43 million during fiscal year 2017 to Ps.44 million during fiscal year 2018. The costs of the Sales and development segment, measured as a percentage of revenues from this segment decreased from 43.4% during fiscal year 2017 to 36.7% during fiscal year 2018.

Hotels. Costs for the Hotels segment increased by 28.4%, from Ps.486 million during fiscal year 2017 to Ps.624 million during fiscal year 2018, mainly as a result of: (i) an increase of Ps.80 million in costs of salaries, social security and other personnel expenses; (ii) an increase of Ps.50 million in maintenance and repairs; (iii) higher expenses of Ps.7illion in fees and compensation for services. The costs of the Hotels segment, measured as a percentage of the revenues of this segment, decreased from 67.0% during the year 2017 to 64.1% during the 2018 fiscal year.

International. The costs of the International segment did not change for the years presented.

Corporate. The costs of the Corporate segment did not vary for the years presented.

Others. Other segment costs increased by 475.0%, from Ps.4 million during fiscal year 2017 to Ps.23 million during fiscal year 2018, mainly as a result of: (i) an increase of Ps.7 million in concept of leases and expenses; (ii) an increase of Ps.4 million in the charge for salaries, social security and other personnel expenses; (iii) higher charges of Ps.4 million in taxes, fees and contributions and; (iv) an increase of Ps.2 million in fees and compensation for services.

Operations Center in Israel

Real estate. Real estate segment costs increased from Ps.2,333 million during the year ended June 30, 2017 to Ps.2,619 million during the year ended June 30, 2018. This variation was due to (i) a revaluation of 27% of the NIS against the Argentine peso, partially offset by (ii) a decrease in the cost due to the lower sale of residential apartments.

Supermarkets. Costs of the Supermarket segment increased from Ps 35,432 million during the year ended June 30, 2017 to Ps.44,563 million during the year ended June 30, 2018. This variation was mainly due to the revaluation of 27% of the NIS against the Argentine peso, accompanied by an improvement in the terms of negotiation with suppliers.

Telecommunications. Costs of the Telecommunications segment increased from Ps.11,183 million during the year ended June 30, 2017 to Ps.13,899 million during the year ended June 30, 2018. This variation was due to a revaluation of 27% of the NIS compared to the Argentine peso, partially offset by a decrease in costs that accompanied the reduction in sales of mobile services and a slight increase in costs related to television content.

Others. Costs of the Other segment increased from Ps.162 million during the year ended June 30, 2017 to Ps.314 million during the year ended June 30, 2018. This variation was due to (i) a revaluation of 27 % of the NIS against the Argentine peso, and (ii) an increase in costs that accompanied the increase in revenues.

<u>Gross profit 2018 vs 2017</u>

The total consolidated gross profit, according to the income statement, increased by Ps.2,488 million, from Ps.10,971 million during the year 2017 (out of which Ps.19,312 million comes from the Operations Center in Israel compensated with the effect of the deconsolidation of Shufersal for Ps.11.680 and Ps.3,339 million from the Operations Center in Argentina) to Ps.13,459 million during fiscal year 2018 (out of which Ps.25,185 million come from the Operations Center in Israel compensated with the effect of the deconsolidation of Shufersal for Ps.15.907 and Ps.4,181 million from the Operations Center in Argentina). Without considering the effect from the Operations Center in Israel, the gross profit increased by 25.2%. The total consolidated gross profit, measured as a percentage of revenues from sales, leases and services, increased slightly from 40.6% during fiscal year 2017 to 40.7% during fiscal year 2018. Without considering the effect from the Operations Center in Israel, total consolidated gross profit, according to the income statement, increased slightly, from 58.1% during fiscal year 2017 to 59.9% during fiscal year 2018.

On the other hand, total gross profit for expenses and collective promotion fund increased Ps.7 million, from Ps.27 million during fiscal year 2017 (out of which Ps.25 million comes from the Shopping Malls segment and Ps.2 million in the Offices segment), to Ps.34 million during fiscal year 2018 (out of which Ps.28 million come from the Shopping Malls segment and Ps.6 million from the Offices segment).

Additionally, the gross profit of our joint ventures decreased by 26.1%, from Ps.23 million during fiscal year 2017 to Ps.17 million during fiscal year 2018.

In this way, according to the information by segments (taking into account the gross profit from our joint ventures and without considering the gross profit corresponding to the expenses and collective promotion fund or to the gross profit of the operations inter-segment), gross profit increased by Ps.6,716 million, from Ps.22,711 million during fiscal year 2017 (out of which Ps.19,312 million come from the Operations Center in Israel and Ps.3,399 million from the Operations Center in Argentina) to Ps.29,427 million during fiscal year 2018 (of which Ps.25,185 million come from the Operations Center in Israel and Ps.4,242 million from the Operations Center in Argentina). Excluding the effect from the Operations Center in Israel, the gross profit increased by 24.8%. Likewise, gross profit, measured as a percentage of revenues, according to information by segments, increased slightly from 31.2% during fiscal year 2017 to 32.0% during fiscal year

2018. Without considering the effect of the Operations Center in Israel, the gross profit measured as a percentage of total revenues increased, from 78.8% in 2017 to 79.9% in 2018.

Operations Center in Argentina

Shopping Malls. The gross profit of the Shopping Malls segment increased by 23.7%, from Ps.2,697 million during fiscal year 2017 to Ps.3,335 million for fiscal year 2018, mainly as a result of the increase in the total sales of our tenants, giving as a result, higher percentage leases under our lease agreements. The gross profit of the Shopping Malls segment as a percentage of the segment's revenues increased from 88.5% during fiscal year 2017 to 91.0% during fiscal year 2018.

Offices. The gross profit of the Offices segment increased by 20.2% going from Ps.405 million for the fiscal year 2017 to Ps.487 million during the fiscal year 2018. The gross profit of the Offices segment, measured as a percentage of the revenues of this segment, decreased slightly from 93.3% during fiscal year 2017 to 91.5% during fiscal year 2018.

Sales and developments. The gross result of the Sales and Developments segment increased by 35.7%, from Ps.56 million for fiscal year 2017 to Ps.76 million during fiscal year 2018, mainly as a result of the higher sales recorded during fiscal year 2018 and the decrease of maintenance and conservation costs of these properties. The gross profit of the sales and development segment, measured as a percentage of this segment's revenues, increased from 56.6% during fiscal year 2017 to 63.3% during fiscal year 2018.

Hotels. Gross profit for the Hotels segment increased by 46.0% from Ps.239 million for the year 2017 to Ps.349 million during the year 2018. The gross profit of the Hotels segment, measured as a percentage of the revenues of this segment, increased slightly from 33.0% during fiscal year 2017 to 35.9% during fiscal year 2018.

International. The gross profit of the International segment did not present variations between the years presented.

Corporate. The gross profit of the Corporate segment did not present variations between the years presented.

Others. Gross profit from the Others segment decreased by 350.0%, going from a profit of Ps.2 million for the year 2017 to a loss of Ps.5 million during the year 2018. The gross profit of the Other segment, measured as a percentage of the revenues of this segment decreased from 33.3% during fiscal year 2017 to 27.8% during fiscal year 2018**.**

<u>Operations Center in Israel</u>

Real estate. The gross profit of the Real estate segment increased from Ps.2,585 million during the year ended June 30, 2017 to Ps.3,561 million during the year ended June 30, 2018. This variation was mainly due to a 27% revaluation of the NIS against the Argentine peso, accompanied by the reduction in costs. The gross profit of the segment as a percentage of revenues increased slightly from 52.6% during 2017, to 57.6% during the year 2018.

Supermarkets. The gross profit of the Supermarket segment increased from Ps.11,845 million during the year ended June 30, 2017 to Ps.15,907 million during the year ended June 30, 2018. This variation was mainly due to a 27% revaluation of the NIS against the Argentine peso, accompanied by an improvement in the terms of negotiation with suppliers. The gross profit of the segment as a percentage of revenues increased slightly from 25.1% during 2017 to 26.3% during fiscal year 2018.

Telecommunications. The gross profit of the Telecommunications segment increased from Ps.4,781 million during the year ended June 30, 2017 to Ps.5,448 million during the year ended June 30, 2018. This variation was mainly due to a 27% revaluation of the NIS against the Argentine peso, partially offset by the constant erosion in the revenues of the mobile services, which was partially offset by an increase in revenues related to fixed lines, television and internet. The gross profit of the segment as a percentage of revenues decreased slightly from 29.9% during 2017 to 28.2% during fiscal year 2018.

Others. Gross profit from the Others segment increased from Ps.101 million during the year ended June 30, 2017 to Ps.269 million during the year ended June 30, 2018. This variation was mainly due to a 27% revaluation of the NIS against the Argentine peso, and the increase in income of Bartan and Epsilon.

Net gain from fair value adjustment of investment properties 2018 vs 2017

The net result from changes in the fair value of investment properties, according to the income statement, increased by Ps.18,265 million, from Ps.4,340 million during the year ended June 30, 2017 (from which Ps.4,079 million came from the Operations Center in Argentina and Ps.374 million from the Operations Center in Israel, offset by the effect of the deconsolidation of Shufersal for Ps.113) to Ps.22,605 million during the year ended June 30, 2018 (of which Ps.20,609 million from the Operations Center in Argentina and Ps.2,160 million from the Operations Center in Israel offset by the effect of the deconsolidation of Shufersal for Ps.164).

Operations Center in Argentina

The net result of changes in the fair value of our investment properties for the fiscal year ended June 30, 2018 was Ps.21,347 million (Ps.11,340 million in our Shopping Malls segment, Ps.5,004 million from the Offices segment; Ps.4,771 million from the Sales and Developments segment, and Ps.232 million from the Other segment).

The significant increase in Argentine peso of our properties was mainly a consequence of the changes in macroeconomic conditions: (i) from June 2017 to June 2018, the Argentine peso depreciated 73% against the US dollar (from Ps.16,63 for US$ 1.00 to Ps.28.85 for US$ 1.00); (ii) an increase in the projected inflation rate, with the consequent increase in the cash flow of revenue from shopping Malls given that the company charges a percentage of the sales from the leases; (iii) increase of 44 basis points in the discount rate and; (iv) additional effect due to reduction of the income tax rate used in the valuation methodology of the discounted cash flows, said modification was established in the approved tax reform where it was determined that the rate will be gradually reduced to 30% for fiscal periods beginning on or after January 1, 2018 until December 31, 2019, and to 25% for fiscal periods beginning on or after January 1, 2020.

We maintained the same portfolio of shopping malls between the fiscal year ended June 30, 2018 and 2017. The values of our shopping malls properties increased 448.4% during the fiscal year ended June 30, 2018 due to the impact of the depreciation of the Argentine peso, increase in the projected inflation rate and decrease in the tax rate.

The value of our office buildings increased 268.2% during the fiscal year ended June 30, 2018 largely as a result of the impact of the Argentine peso devaluation. Additionally, we obtained gains from the sale of office properties for Ps.140 million during the fiscal year ended June 30, 2018 compared to Ps.100 million in the same period of 2017, due to the sale of offices and parking units in several buildings.

Operations Center in Israel

Real estate. The net result of changes in the fair value of investment properties increased from Ps.261 million during the year ended June 30, 2017 to Ps.1,996 million during the year ended June 30, 2018. The variation was due to the increase in the value of properties in Israel and the devaluation of the Argentine peso against the Israeli shekel.

Supermarkets. The net result of changes in the fair value of investment properties segment of supermarkets increased from Ps.113 million during the year ended June 30, 2017 to Ps.164 million during the year ended June 30, 2018. Said variation it was due to the increase in the value of the properties in Israel and the devaluation of the Argentine peso against the Israeli shekel.

General and administrative expenses 2018 vs 2017

Total general and administrative expenses, according to the income statement, recorded an increase of Ps.650 million, from Ps.3,219 million during fiscal year 2017 (of which Ps.3,173 million come from the Operations Center in Israel offset by the effect from the deconsolidation of Shufersal of Ps.624 million and Ps.670 million from the Operations Center in Argentina) to Ps.3,869 million during fiscal year 2018 (out of which Ps.3,870 million come from the Operations Center in Israel, offset by the effect of deconsolidation of Shufersal of Ps.878 million and Ps.877 million from the Operations Center in Argentina). Excluding the effect from the Operations Center in Israel, general and administrative expenses increased by 30.9%. Total general and administrative expenses measured as a percentage of revenues from sales, leases and services decreased slightly from 11.9% during fiscal year 2017 to 11.7% during fiscal year 2018.

The general and administrative expenses of our joint ventures increased Ps.8 million, from Ps.5 million during fiscal year 2017 to Ps.13 million during fiscal year 2018.

Finally, general and administrative expenses for operations inter-segment increased Ps 5 million, from Ps.8 million during fiscal year 2017 to Ps 13 million during fiscal year 2018.

Furthermore, according to the information by segments (taking into account the general and administrative expenses from our joint ventures and without considering those corresponding to the expenses of collective promotions funds or operating expenses intra- segments), the general and administrative expenses increased Ps.917 million, from Ps.3,856 million during fiscal year 2017 (out of which Ps.3,173 million come from the Operations Center in Israel and Ps 683 million from the Operations Center in Argentina) to Ps.4,773 million during fiscal year 2018 (of which Ps.3,870 million come from the Operations Center in Israel and Ps.903 million from the Operations Center in Argentina). Excluding the general and administrative expenses from the Operations Center in Israel, expenses increased by 32.2%. General and administrative expenses measured as a percentage of revenues, according to the information by segments, decreased slightly from 5.3% during fiscal year 2017 to 5.2% during fiscal year 2018. Without considering the effect from the Operations Center in Israel, total general and administrative expenses, measured as a percentage of total revenues, increased, from 15.8% during 2017 to 17.0% during fiscal year 2018.

Operations Center in Argentina

Shopping Malls. General and administrative expenses of Shopping Malls increased by 22.6%, from Ps.261 million during fiscal year 2017 to Ps.320 million during fiscal year 2018, mainly as a result of: (i) an increase in fees to directors of Ps.27 million; (ii) an increase of Ps.15 million in salaries, social security and other personnel administration expenses; (iii) an increase of Ps.8 million in maintenance, repairs and services, mobility and travel expenses; and (iv) an increase of Ps.4 million in amortizations and depreciation. The general and administrative expenses of Shopping Malls as a percentage of revenues from the same segment increased slightly from 8.6% during fiscal year 2017 to 8.7% during fiscal year 2018.

Offices. The general and administrative expenses of our Offices segment increased by 24.3%, from Ps.70 million during fiscal year 2017 to Ps.87 million during fiscal year 2018, mainly as a result of: (i) an increase of Ps.4 million in salaries, social security and other personnel expenses; (ii) an increase in advertising and other commercial expenses of Ps.4 million; (iii) an increase of Ps.3 million in fees to directors and; (iv) an increase of Ps.2 million in terms mobility expenses and office supplies, among other concepts. General and administrative expenses, measured as a percentage of revenues in the same segment, increased slightly from 16.1% during fiscal year 2017 to 16.4% during fiscal year 2018.

Sales and developments. General and administrative expenses associated with our Sales and developments segment increased by 95.0%, from Ps.40 million during fiscal year 2017 to Ps.78 million during fiscal year 2018, mainly as a result of: (i) an increase of directors fees of Ps.13 million, (ii) an increase in salaries, social security and other personnel expenses of Ps.5 million; (iii) an increase of Ps.4 million in taxes, fees and contributions and; (iv) an increase of Ps.4 million in fees and compensation for services, among other items. General and administrative expenses, measured as a percentage of revenues in the same segment, increased from 40.4% during fiscal year 2017 to 65.0% during fiscal year 2018.

Hotels. General and administrative expenses associated with our Hotels segment increased by 43.0% from Ps.135 million during fiscal year 2017 to Ps.193 million during fiscal year 2018, mainly as a result of: (i) an increase of Ps.24 million in salaries, social security and other personnel expenses; (ii) an increase of Ps.16 million in taxes, fees and contributions; (iii) an increase of Ps.8 million in maintenance costs, repairs and services and; (iv) an increase of Ps.7 million in fees and compensation for services, among other items. General and administrative expenses associated with the Hotels segment measured as a percentage of this segment's revenues increased by 18.6% in fiscal year 2017 to 19.8% in fiscal year 2018.

International. General and administrative expenses associated with our International segment increased by 7.0%, from Ps.43 million during fiscal year 2017 to Ps.46 million during fiscal year 2018, mainly due to salaries, social security and other personnel expenses incurred in relation to the investment in IDBD and Other expenses.

Corporate. General and administrative expenses associated with our Corporate segment increased by 14.4%, from Ps.132 million during fiscal year 2017 to Ps.151 million during fiscal year 2018, mainly due to (i) an increase of Ps.11 million in salaries, social security and other personnel expenses; (ii) an increase of Ps.6 million in fees to directors, among other items.

Others. General and administrative expenses associated with our Other segment increased by Ps.26 from Ps.2 million during fiscal year 2017 to Ps.28 million during fiscal year 2018, mainly due to (i) an increase of Ps.10 million in leases and expenses; (ii) an increase of Ps.8 million related to salaries, social security and other personnel expenses; (iii) a higher expense of fees and compensation for services of Ps.5 million and; (iv) an increase of Ps.3 million in the maintenance, repairs and services charge, among other items**.**

Operations Center in Israel

Real estate. General and administrative expenses associated with the Real Estate segment increased from Ps.290 million during the year ended June 30, 2017 to Ps.363 million during the year ended June 30, 2018. This variation was mainly due to a 27% revaluation of the NIS against the Argentine peso accompanied by a decrease in fees for services The general and administrative expenses associated with this segment measured as a percentage of the revenues maintained at 5.9%.

Supermarkets. General and administrative expenses associated with the Supermarket segment increased from Ps.627 million during the year ended June 30, 2017 to Ps.878 million during the year ended June 30, 2018. This variation was due to (i) a 27% revaluation of the NIS against the Argentine peso, (ii) the consolidation of New Pharm in the last quarter of the year and (iii) an increase in salary. The general and administrative expenses associated with the segment measured as a percentage of this segment's revenues remained mainly stable at 1.3% in fiscal year 2017 and 1.5% for fiscal year 2018.

Telecommunications. General and administrative expenses associated with the Telecommunications segment increased from Ps.1,592 million during the year ended June 30, 2017 to Ps.1,810 million during the year ended June 30, 2018. This variation was due to (i) a 27% revaluation of the NIS against the Argentine peso and (ii) a reduction in personnel expenses due to a downsizing of the company, which accompanied the fall in revenues in a search for improvements efficiency. The administrative and general expenses associated with the segment measured as a percentage of this segment's revenues decreased from 10% in fiscal year 2017 to 9.4% in fiscal year 2018.

Corporate. General and administrative expenses associated with the Corporate segment decreased from Ps.384 million during the year ended June 30, 2017 to Ps.374 million during the year ended June 30, 2018. This variation was due to (i) a 27% revaluation of the NIS against the Argentine peso, compensated by a decrease in the personnel and cost structure of DIC and IDBD, also accompanied by a reduction in Dolphin's legal fees.

Others. General and administrative expenses associated with the Others segment increased from Ps.280 million during the year ended June 30, 2017 to Ps.445 million during fiscal year 2018. This variation was due to (i) a 27% revaluation of the NIS against the Argentine peso and an increase in the structure of Bartan and Epsilon.

Selling expenses 2018 vs 2017

Total consolidated selling expenses, according to the income statement, show an increase of Ps.656 million, from Ps.4,007 million during fiscal year 2017 to Ps.4,663 million during fiscal year 2018 (out of which Ps.16,986 million come from the Operations Center in Israel offset by the deconsolidation of Shufersal of Ps.12,749 million and Ps.426 million from the Operations Center in Argentina). Excluding the effect from the Operations Center in Israel, selling expenses increased by 22.4%. Total consolidated selling expenses measured as a percentage of revenues from sales, leases and services, decreased from 14.8% for the year 2017 to 14.1% during the year 2018.

On the other hand, the selling expenses of our joint ventures increased Ps.1 million, from Ps.5 million in fiscal year 2017 to Ps.6 million during fiscal year 2018.

Furthermore, according to the information by segments (taking into account the selling expenses from our joint ventures and without considering those corresponding to the expenses of collective promotion fund or the expenses for operations inter- segments), the selling expenses increased Ps.3,970 million, from Ps.13,448 million during fiscal year 2017 to Ps.17,418 million during fiscal year 2018 (out of which Ps.16,986 million come from the Operations Center in Israel and Ps.432 million from the Operations Center in Argentina). Excluding the effect from the Operations Center in Israel, selling expenses increased by 21.7%. Selling expenses measured as a percentage of revenues, according to information by segments, increased from 18.5% during fiscal year 2017 to 19.0% during fiscal year 2018. Without considering the effects from the Operations Center in Israel, the total selling expenses, measured as a percentage of total revenues according to the information by segments, experienced a small decrease, going from 8.2% in 2017 to 8.1% during the 2018 fiscal year.

Operations Center in Argentina

Shopping Malls. Selling expenses of the Shopping Malls segment increased by 26.6%, from Ps.188 million during fiscal year 2017 to Ps.238 million during fiscal year 2018, mainly as a consequence of: (i) an increase in taxes, fees and contributions of Ps.28 million, due to higher expenses in the gross income tax; and (ii) an increase of Ps.22 related to doubtful accounts. Selling expenses measured as a percentage of the revenues of the Shopping Malls segment increased from 6.2% during fiscal year 2017 to 6.5% during fiscal year 2018.

Offices. Selling expenses associated with our Offices segment increased by 23.9% from Ps.46 million during fiscal year 2017 to Ps.57 million during fiscal year 2018. This variation was generated mainly as a result of: (i) an increase in Ps.16 million in the charge of doubtful accounts and; (ii) an increase of Ps.4 million in taxes and contributions, partially offset by a decrease of Ps.10 million in advertising and other commercial expenses. Selling expenses associated with our Office segment, measured as a percentage of this segment's revenues, increased slightly, from 10.6% in fiscal year 2017 to 10.7% in fiscal year 2018.

Sales and developments. The selling expenses associated with the sales and development segment did not show variations between the years presented.

Hotels. Selling expenses associated with our Hotels segment increased 17.5%, from Ps.97 million during fiscal year 2017 to Ps.114 million during fiscal year 2018, mainly as a result of: (i) an increase of Ps.7 million salaries, social security and other personnel expenses; (ii) an increase of Ps.4 million in advertising and other commercial expenses; (iii) a higher charge of Ps.4 million in fees and compensation for services, among other items. The selling expenses associated with our Hotels segment measured as a percentage of this segment's revenues decreased, going from 13.4% during fiscal year 2017 to 11.7% during fiscal year 2018.

International. The selling expenses associated with the International segment did not show variations between the years presented.

Corporate. The selling expenses associated with the Corporate segment did not present variations between the years presented.

Others. Selling expenses associated with our Others segment decreased by 33.3% from Ps.3 million during fiscal year 2017 to Ps.2 million during fiscal year 2018, mainly due to a decrease in advertising, and other commercial expenses. The selling expenses associated with our Other segment measured as a percentage of this segment's revenues decreased considerably, from 50.0% during fiscal year 2017 to 11.1% during fiscal year 2018.

Operations Center in Israel

Real estate. Selling expenses associated with the real estate segment increased from Ps.91 million during the year ended June 30, 2017 to Ps.115 million during the year ended June 30, 2018. This variation was due to (i) a 27% revaluation of the NIS against the Argentine Peso. The selling expenses associated with this segment measured as a percentage of revenues remained stable at 1.9% during the 2017 fiscal year and the 2018 fiscal year.

Supermarkets. Selling expenses associated with the Supermarket segment increased from Ps.9,517 million during the year ended June 30, 2017 to Ps.12,749 million during the year ended June 30, 2018. This variation was due to (i) a 27% revaluation of the NIS against the Argentine peso, and (ii) the consolidation of New Pharm in the last quarter of the 2018 fiscal year. Selling expense as a percentage of revenues increased slightly, from 20.1% during fiscal year 2017 to 21.1% during fiscal year 2018.

Telecommunications. Selling expenses associated with the Telecommunications segment increased from Ps.3,406 million during the year ended June 30, 2017 to Ps.3,974 million during the year ended June 30, 2018. This variation was due to (i) a 27% revaluation of the NIS against the Argentine peso, partially offset by (ii) a decrease in advertising expenses on the mobile phone line. Selling expenses associated with this segment measured as a percentage of revenues decreased, going from 21.3% in fiscal year 2017 to 20.5% in fiscal year 2018.

Others. Selling expenses associated with the Others segment increased from Ps.79 million during the year ended June 30, 2017 to Ps.148 million during the year ended June 30, 2018. This variation was due to (i) a 27% revaluation of the NIS against the Argentine peso and (ii) an increase in the marketing expenses of Bartan's new services.

Other operating results, net 2018 vs 2017

Other operating results, net, according to the income statement, registered an increase of Ps.788 million, going from a net loss of Ps.206 million during fiscal year 2017 to a net profit of Ps.582 million during fiscal year 2018 (which a loss of Ps.62 million comes from the Operations Center in Argentina and Ps.644 million from the Operations Center in Israel, including the effect of deconsolidating Shufersal).

Other operating results, net from our joint ventures, had a variation of Ps.25 million, going from a net income of Ps.6 million during fiscal year 2017 (assigned to the Sales and Development segment of the Operations Center in Argentina) to a net loss of Ps.19 million during fiscal year 2018 (out of which a loss of Ps.15 million is allocated to the Sales and Development segment and Ps.4 million is allocated to the Shopping Malls segment within the Operations Center in Argentina).

Furthermore, according to the information by segments (taking into account the other operating results, net from our joint ventures and without considering those corresponding to the operations between business segments), the line other operating results, net recorded an increase of Ps.653 million, from a net loss of Ps.264 million during fiscal year 2017 to a net profit of Ps.389 million during fiscal year 2018. Excluding the effect from the Operations Center in Israel, the other operating results decreased in Ps.10 million.

Operations Center in Argentina

Shopping Malls. The other operating results, net, of the Shopping Malls segment decreased by 1.7%, going from a loss of Ps.58 million during fiscal year 2017 to a loss of Ps.57 million during fiscal year 2018, mainly as a result of: (i) a lower expense related to donations of Ps.21 million, partially offset by: (ii) a higher expense for lawsuits and contingencies of Ps.12 million; and (iii) a higher income of Ps.6 million related to management fee. The other operating results, net, of this segment, as a percentage of this segment's revenues, decreased from 1.9% during fiscal year 2017 to 1.6% during fiscal year 2018.

Offices. The other operating results, net, associated with our Offices segment decreased by 66.7%, going from a Ps.12 million losses during fiscal year 2017 to a loss of Ps.4 million during fiscal year 2018, mainly as a consequence of an increase in the income from management fee of Ps.4 million and a decrease in the expenses of lawsuits and other contingencies of Ps.2 million, among other items. The other operating results, net, of this segment, as a percentage of revenues, decreased from 2.8% during fiscal year 2017 to 0.8% during fiscal year 2018.

Sales and developments. The other operating results, net, associated with our Sales and developments segment increased by 130.6%, going from a loss of Ps.36 million during fiscal year 2017 to a gain of Ps.11 million during fiscal year 2018, mainly as a result of an increase in income from the sale of property, plant and equipment of Ps.56 million, among other items. The other operating results, net, of this segment, as a percentage of this segment's revenues, went from 36.4% during fiscal year 2017 to 9.2% during fiscal year 2018.

Hotels. The other operating results, net, associated with the Hotels segment decreased by Ps.16 million, going from a loss of Ps.1 million during fiscal year 2017 to a loss of Ps.17 million during fiscal year 2018, mainly due to a higher expense related to claims and lawsuits and contingencies and others. The other operating results, net, of this segment, as a percentage of this segment's revenues increased from 0.1% in 2017 to 1.7% in 2018.

International. The other operating results, net, of this segment decreased by 185.2%, from a gain of Ps.27 million during fiscal year 2017 to a loss of Ps.23 million during fiscal year 2018, mainly due to the reset of the translation difference occurred in fiscal year 2017 and a decrease in revenue from management fees.

Corporate. The other operating results, net, associated with the Corporate segment did not show variations between the years presented.

Others. The other operating results, net, associated with the Other segment did not show variations between the years presented.

Operations Center in Israel

Real Estate. The other operating results, net associated with the Real Estate segment increased from Ps.46 million during the year ended June 30, 2017 to Ps.98 million during the year ended June 30, 2018. This variation was due to (i) a revaluation of 27% of the NIS against the Argentine peso and (ii) result from the sale of fixed assets.

Supermarkets. The other operating results, net associated with the Supermarket segment increased from Ps.52 million losses during the year ended June 30, 2017 to Ps.177 million losses during the year ended June 30, 2018. This variation was due to (i) a revaluation of 27% of the NIS against the Argentine peso (ii) an impairment of property, plant and equipment.

Telecommunications. The other operating results, net associated with the Telecommunications segment went from Ps.36 million losses during the year ended June 30, 2017 to Ps.140 million gain during the year ended June 30, 2018. This variation was due to (i) a revaluation of 27% of the NIS against the Argentine peso, offset by (ii) the sale of the subsidiary Rimon.

Corporate. The other operating results, net associated with the Corporate segment went from Ps.106 million losses during the year ended June 30, 2017 to Ps.434 million gain during the year ended June 30, 2018. This variation was due to (i) a revaluation of 27% of the NIS against the Argentine peso, offset by (ii) the favorable outcome of the trial won related to Ma ' ariv.

Others. The other operating results, net associated with the Others segment went from Ps.48 million losses during the year ended June 30, 2017 to Ps.28 million losses during the year ended June 30, 2018. This variation was due to (i) a revaluation of 27% of the NIS against the Argentine peso, and (ii) a decrease in research and development expenses.

Profit / (loss) from operations 2018 vs 2017

The total consolidated profit from operations, pursuant to the income statement, increased by 256.8% from Ps.7,879 million during fiscal year 2017 to Ps.28,114 million during fiscal year 2018 (out of which Ps.6,957 million come from the Operations Center in Israel offset by the deconsolidation effect of Shufersal for Ps.2,266 and Ps.23,425 of the Operations Center in Argentina). Excluding the effect from the Operations Center in Israel, the operating result increased by 268.3%. The total consolidated operating profit, measured as a percentage of revenues from sales, leases and services, increased from 29.2% during fiscal year 2017 to 85.0% during fiscal year 2018. Without considering the effect from the Operation Center in Israel, the total consolidated operating result, measured as a percentage of total revenues, increased from 110.0% during fiscal year 2017 to 335.7% during fiscal year 2018.

The operating result of our joint ventures increased by 239.8%, from Ps.211 million during fiscal year 2017 (out of which a Ps.28 million profit is allocated to the Shopping Malls segment, a profit of Ps.184 million to the Offices segment and a Ps.1 million loss to the Sales and Developments segment of the Operations Center in Argentina), to Ps.717 million during the 2018 fiscal year (out of which a Ps.92 million profit is allocated to the Shopping Malls segment, Ps.654 million gain to the Offices segment, and a Ps.29 million loss in Sales and Developments, from the Operations Center in Argentina), mainly due to higher revenues from the net results of changes in the fair value of investment properties.

For its part, the operating result for expenses and collective promotions fund increased by 25.9%, from a gain of Ps.27 million during fiscal year 2017 to a gain of Ps.34 million during fiscal year 2018.

Finally, the operating result generated by the operations inter-segment did not present variations for the years presented.

In this way, according to the information by segments (taking into account the operating result from our joint ventures and without considering those corresponding to the expenses and collective promotions fund or to the operations inter-segments), the operating profit , increased by 218.1% from Ps.9,788 million during fiscal year 2017 to Ps.31,132 million during fiscal year 2018 (of which Ps.6,956 million come from the Operations Center in Israel and Ps.24,176 from the Operations Center in Argentina) . Without considering the operating result from the Operations Center in Israel, the operating result increased by 268.3%. Operating income, measured as a percentage of revenues according to segment information, increased from 13.5% during fiscal year 2017 to 33.9% during fiscal year 2018. Excluding the effect from the Operations Center in Israel, the total operating result according to segment information, measured as a percentage of total revenues, increased from 152.3% during fiscal year 2017 to 455.5% during fiscal year 2018.

Operations Center in Argentina

Shopping Malls. The operating result of Shopping Malls increased by 230.2% during fiscal year 2018, from Ps.4,258 million during fiscal year 2017 to Ps.14,060 million during fiscal year 2018. The operating result of the Shopping Malls segment as a percentage of the segment's revenues increased from 139.7% during fiscal year 2017 to 383.6% during fiscal year 2018.

Offices. The operating result corresponding to our Offices segment increased by 226.6%, going from a profit of Ps.1,636 million during fiscal year 2017 to a profit of Ps.5,343 million during fiscal year 2018. The variation is mainly due to an increase of Ps.3,645 million profit from the result of changes fair value of investment properties. The operating result of the Offices segment as a percentage of the segment's revenues increased from 377.0% during fiscal year 2017 to 3965.8% during fiscal year 2018.

Sales and developments. The operating result corresponding to our Sales and Developments segment increased by 489.0%, going from Ps.808 million gain during fiscal year 2017 to Ps.4,759 million during fiscal year 2018. This increase is mainly due to higher revenues resulting from the sales of Beruti apartments and parking units, floors and parking units of Maipú 1300, Libertador 498 and Intercontinental Plaza office building and the sale of Baicom's land and also, by the net results of changes in the fair value of investment properties, which were partially offset by an increase in costs and general and administrative expenses. The operating result of the Sales and development segment as a percentage of the segment's revenues increased from 816.2% during fiscal year 2017 to 3965.8% during fiscal year 2018.

Hotels. The operating result corresponding to the Hotels segment showed an increase of 316.7%, going from a profit of Ps.6 million in fiscal year 2017 at a gain of Ps.25 million during fiscal year 2018. This increase is mainly due to the increase in the average room rate of our hotel portfolio (measured in pesos), generating an increase in revenues. The operating result of the Hotels segment as a percentage of the segment's revenues increased from 0.8% during fiscal year 2017 to 2.6% during fiscal year 2018.

International. The operating result corresponding to our International segment decreased by 331.3%, going from a loss of Ps.16 million during fiscal year 2017 to a loss of Ps.69 million during fiscal year 2018. This variation is due to an increase in expenses general and administrative costs and a decrease in other operating results.

Corporate. The operating result corresponding to our Corporate segment varied by 14.4%, going from a loss of Ps.132 million during fiscal year 2017 to a loss of Ps.151 million during fiscal year 2018, mainly affected by general and administrative expenses.

Others. The operating result corresponding to our Others segment presented an increase of Ps.205 million, going from a gain of Ps.4 million during fiscal year 2017 to a gain of Ps.209 million during fiscal year 2018. The variation is mainly due to a Ps.237 million increase in income from the result of changes in the fair value of investment properties (mainly generated by La Adela). The operating result of the Other segment as a percentage of the segment's revenues increased from 66.7% during fiscal year 2017 to 1161.1% during fiscal year 2018.

Operations Center in Israel

Real estate. The operating result of the Real Estate segment increased from Ps.2,511 million during the fiscal year 2017 to Ps.5,177 million during fiscal year 2018. This variation was due to (i) a revaluation of 27% of the NIS against the Argentine peso, (ii) the occupation of projects in Israel, (iii) an increase in the number of square meters occupied and (iv) a gain related to changes in the fair value of investment properties.

Supermarkets. The operating result of the Supermarkets segment increased from Ps 1,762 million during the fiscal year 2017 to Ps 2,267 million during the fiscal year 2018. This variation was due to (i) a revaluation of 27% of the NIS against the Argentine peso, and (ii) the increase in the participation of the Shufersal brand, the improvement in commercial terms and the distribution channels and a better mix in the components of the basket.

Telecommunications. The operating result of the Telecommunications segment increased from a loss of Ps.253 million during the fiscal year 2017 to a loss of Ps.196 million during fiscal year 2018. This variation was due to (i) a revaluation of 27% of the NIS against to the Argentine peso, (ii) increase in television subscribers and (iii) the continuous erosion in service revenues, which was partially offset by the decrease in operating expenses, due to the efficiency measures implemented by Cellcom.

Corporate. Operating income of the Corporate segment increased from a loss of Ps.432 million during the fiscal year 2017 to a gain of Ps.60 million during fiscal year 2018. This variation was due to (i) a revaluation of 27% of the NIS against the Argentine peso, and (ii) the positive outcome of Ma'ariv's trial.

Others. The operating result of the Others segment went from a loss of Ps.364 million during the fiscal year 2017 to a loss of Ps.352 million during the fiscal year 2018. This variation was due to (i) a revaluation of 27% of the NIS compared to the Argentine peso, and (ii) an increase in the income of Bartan and Epsilon.

Share of profit / (loss) of associates and joint ventures 2018 vs 2017

The share of profit / (loss) of associates and joint ventures, pursuant to the income statement, decreased from a profit of Ps.109 million during fiscal year 2017 to a loss of Ps.721 million during fiscal year 2018 (out of which a loss of Ps.658 million comes from the Operations Center in Argentina and a loss of Ps.43 million from the Operations Center in Israel together with a loss originated in the deconsolidation of Shufersal for Ps.20 million). Excluding the results from the Operations Center in Israel, the negative result from our participation in associates and joint ventures decreased by 922.5%, mainly due to the negative results from the International segment, partially offset by a lower profit from the Others segment.

Also, the net share of profit / (loss) of associates and joint ventures, mainly from Nuevo Puerto Santa Fe S.A. (Shopping Malls segment), Quality Invest S.A. (Office segment) and; Cyrsa S.A., Puerto Retiro S.A. and Baicom Networks S.A. (Sales and Developments segment), evidenced a decrease of 251.1%, going from a loss of Ps.174 million during fiscal year 2017 to a loss of Ps.611 million during fiscal year 2018, mainly due to results from Quality Invest S.A.

Operations Center in Argentina

Shopping Malls. In the information by segments, the share of profit / (loss) of associates and joint ventures Nuevo Puerto Santa Fe S.A. it is exposed consolidated, line by line in this segment.

Offices. In the information by segments, share of profit / (loss) of associates and joint ventures Quality S.A. it is exposed consolidated, line by line in this segment.

Sales and developments. The share of profit / (loss) of associates and joint ventures Cyrsa S.A., Puerto Retiro S.A. and Baicom Networks S.A. are exposed consolidated line by line. The result from our participation in our associate Manibil S.A., which are disclosed in this line, increased by Ps.12 million, from Ps.14 million during fiscal year 2017 to Ps.26 million during fiscal year 2018.

Hotels. This segment does not present results from the participation in associates and joint ventures.

International. The negative result generated by our stake in associates of this segment increased by 881.1%, going from a loss of Ps.196 million during fiscal year 2017 to a loss of Ps.1,923 million during fiscal year 2018, mainly generated by a negative result of our investment in New Lipstick LLC of Ps.1,916 million.

Others. The positive result generated by our participation in associates of the Other segment, increased by 613.6%, from Ps.88 million during fiscal year 2017 to Ps.628 million during fiscal year 2017, mainly as a result of a gain from of our investments in the BHSA for Ps.618 million and Entertainment Holding SA for Ps.14 million.

Operations Center in Israel

Real estate. The positive result share of profit of associates and joint ventures of this segment increased from Ps.46 million during the year ended June 30, 2017 to Ps.167 million in the year ended June 30, 2018 due to an improvement presented by Mehadrin and Pbel in their results.

Supermarkets. The positive result share of profit of associates and joint ventures of this segment decreased from Ps.75 million during the year ended June 30, 2017 to Ps.20 million in the year ended June 30, 2018 due to a drop in the investment performance of associates.

Others. The negative result generated bu our share of profit of associates and joint ventures of this segment increased from Ps.16 million during the year ended June 30, 2017 to Ps.230 million in the year ended June 30, 2018 due to the low performance of Elron's investments.

Financial results, net

The financial results went from a loss of Ps.4,095 million during fiscal year 2017 to a loss of Ps.18,701 million during fiscal year 2018, this variation is mainly due to the devaluation of the Argentine peso against the dollar and the result of the exchange of DIC's debenture series F.

Income tax

The Company applies the deferred tax method to calculate the income tax corresponding to the periods presented, recognizing in this way the temporary differences as tax assets and liabilities. The income tax charge for the year went from a loss of Ps.2,766 million during fiscal year 2017, to a gain of Ps.124 million during fiscal year 2018, out of which a gain of Ps.801 million come from the Operations Center in Argentina and this was partially offset by a loss of Ps.677 million from the Operations Center in Israel.

Profit for the year

As a result of the factors described above, the profit of the year, including the effect of discontinued operations, went from a profit of Ps.5,220 million during fiscal year 2017 to a profit of Ps.21,295 million during fiscal year 2018, of which a profit of Ps.14,630 million comes from the Operations Center in Argentina and a profit of Ps.6,665 million from the Operations Center in Israel.

Below is a summary of the Group's business lines and a reconciliation between the total of the operating result according to the information by segments and the operating result according to the income statement for the years ended June 30, 2017 and 2016.

	Operations Center in Argentina			Operations Center in Israel			Total segment information			Joint ventures			Discontinued operations			Expenses and collective promotion funds			Elimination of inter-segment transactions and non-reportable assets / liabilities			Total as per statement of income / statement of financial position		
	06.30.17	06.30.16	Variation	06.30.17	06.30.16	Variation	06.30.17	06.30.16	Variation	06.30.17	06.30.16	Variation	06.30.17	06.30.16	Variation	06.30.17	06.30.16	Variation	06.30.17	06.30.16	Variation	06.30.17	06.30.16	Variation
													(en millones de pesos)											
Revenues	4,311	3,289	1,022	68,422	27,077	41,345	72,733	30,366	42,367	(41)	(29)	(12)	(47,168)	(18,607)	(28,561)	1,490	1,194	296	(10)	(8)	(2)	27,004	12,916	14,088
Costs	(912)	(658)	(254)	(49,110)	(19,252)	(29,858)	(50,022)	(19,910)	(30,112)	18	12	6	35,488	14,063	21,425	(1,517)	(1,207)	(310)	-	6	(6)	(16,033)	(7,036)	(8,997)
Gross profit	**3,399**	**2,631**	**768**	**19,312**	**7,825**	**11,487**	**22,711**	**10,456**	**12,255**	**(23)**	**(17)**	**(6)**	**(11,680)**	**(4,544)**	**(7,136)**	**(27)**	**(13)**	**(14)**	**(10)**	**(2)**	**(8)**	**10,971**	**5,880**	**5,091**
Net gain from fair value adjustment of investment properties	4,271	18,209	(13,938)	374	(271)	645	4,645	17,938	(13,293)	(192)	(379)	187	(113)	(23)	(90)	-	-	-	-	-	-	4,340	17,536	(13,196)
General and administrative expenses	(683)	(487)	(196)	(3,173)	(1,360)	(1,813)	(3,856)	(1,847)	(2,009)	5	1	4	624	200	424	-	-	-	8	7	1	(3,219)	(1,639)	(1,580)
Selling expenses	(355)	(264)	(91)	(13,093)	(5,442)	(7,651)	(13,448)	(5,706)	(7,742)	5	2	3	9,434	3,862	5,572	-	-	-	2	-	2	(4,007)	(1,842)	(2,165)
Other operating results, net	(68)	(12)	(56)	(196)	(32)	(164)	(264)	(44)	(220)	(6)	(2)	(4)	64	19	45	-	-	-	-	(5)	5	(206)	(32)	(174)
Profit / (loss) from operations	**6,564**	**20,077**	**(13,513)**	**3,224**	**720**	**2,504**	**9,788**	**20,797**	**(11,009)**	**(211)**	**(395)**	**184**	**(1,671)**	**(486)**	**(1,185)**	**(27)**	**(13)**	**(14)**	**-**	**-**	**-**	**7,879**	**19,903**	**(12,024)**
Share of (loss) of associates and joint ventures	(94)	127	(221)	105	123	(18)	11	250	(239)	174	258	(84)	(76)	-	(76)	-	-	-	-	-	-	109	508	(399)
Segment profit / (loss)	**6,470**	**20,204**	**(13,734)**	**3,329**	**843**	**2,486**	**9,799**	**21,047**	**(11,248)**	**(37)**	**(137)**	**100**	**(1,747)**	**(486)**	**(1,261)**	**(27)**	**(13)**	**(14)**	**-**	**-**	**-**	**7,988**	**20,411**	**(12,423)**
Reportable assets	44,885	39,294	5,591	178,964	147,470	31,494	223,849	186,764	37,085	(193)	(142)	(51)	-	-	-	-	-	-	7,586	5,519	2,067	231,242	192,141	39,101
Reportable liabilities	-	-	-	(155,235)	(132,989)	(22,246)	(155,235)	(132,989)	(22,246)	-	-	-	-	-	-	-	-	-	(28,671)	(23,296)	(5,375)	(183,906)	(156,285)	(27,621)
Net reportable assets	**44,885**	**39,294**	**5,591**	**23,729**	**14,481**	**9,248**	**68,614**	**53,775**	**14,839**	**(193)**	**(142)**	**(51)**	**-**	**-**	**-**	**-**	**-**	**-**	**(21,085)**	**(17,777)**	**(3,308)**	**47,336**	**35,856**	**11,480**

Below is a summary analysis of the business lines of the Operations Center in Argentina for the years ended June 30, 2017 and 2016

	Shopping Malls			Office			Sales and developments			Hotels			International			Corporate			Others			Total		
	06.30.17	06.30.16	Variation	06.30.17	06.30.16	Variation	06.30.17	06.30.16	Variation	06.30.17	06.30.16	Variation	06.30.17	06.30.16	Variation	06.30.17	06.30.16	Variation	06.30.17	06.30.16	Variation	06.30.17	06.30.16	Variation
												(en millones de pesos)												
Revenues	3,047	2,409	638	434	332	102	99	8	91	725	534	191	-	-	-	-	-	-	6	6	-	4,311	3,289	1,022
Costs	(350)	(250)	(100)	(29)	(25)	(4)	(43)	(20)	(23)	(486)	(361)	(125)	-	-	-	-	-	-	(4)	(2)	(2)	(912)	(658)	(254)
Gross profit	**2,697**	**2,159**	**538**	**405**	**307**	**98**	**56**	**(12)**	**68**	**239**	**173**	**66**	**-**	**-**	**-**	**-**	**-**	**-**	**2**	**4**	**(2)**	**3,399**	**2,631**	**768**
Net gain from fair value adjustment of investment properties	2,068	16,132	(14,064)	1,359	1,268	91	849	773	76	-	-	-	-	-	-	-	-	-	(5)	36	(41)	4,271	18,209	(13,938)
General and administrative expenses	(261)	(179)	(82)	(70)	(85)	15	(40)	(24)	(16)	(135)	(103)	(32)	(43)	(24)	(19)	(132)	(72)	(60)	(2)	-	(2)	(683)	(487)	(196)
Selling expenses	(188)	(145)	(43)	(46)	(24)	(22)	(21)	(23)	2	(97)	(69)	(28)	-	-	-	-	-	-	(3)	(3)	-	(355)	(264)	(91)
Other operating results, net	(58)	(63)	5	(12)	(6)	(6)	(36)	(34)	(2)	(1)	(2)	1	27	92	(65)	-	-	-	12	1	11	(68)	(12)	(56)
Profit / (loss) from operations	**4,258**	**17,904**	**(13,646)**	**1,636**	**1,460**	**176**	**808**	**680**	**128**	**6**	**(1)**	**7**	**(16)**	**68**	**(84)**	**(132)**	**(72)**	**(60)**	**4**	**38**	**(34)**	**6,564**	**20,077**	**(13,513)**
Share of (loss) of associates and joint ventures	-	-	-	-	-	-	14	5	9	-	-	-	(196)	(129)	(67)	-	-	-	88	251	(163)	(94)	127	(221)
Segment profit / (loss)	**4,258**	**17,904**	**(13,646)**	**1,636**	**1,460**	**176**	**822**	**685**	**137**	**6**	**(1)**	**7**	**(212)**	**(61)**	**(151)**	**(132)**	**(72)**	**(60)**	**92**	**289**	**(197)**	**6,470**	**20,204**	**(13,734)**
Reportable assets	28,878	26,688	2,190	7,499	5,555	1,944	5,468	4,728	740	167	164	3	572	145	427	-	-	-	2,301	2,014	287	44,885	39,294	5,591
Reportable liabilities	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Net reportable assets	**28,878**	**26,688**	**2,190**	**7,499**	**5,555**	**1,944**	**5,468**	**4,728**	**740**	**167**	**164**	**3**	**572**	**145**	**427**	**-**	**-**	**-**	**2,301**	**2,014**	**287**	**44,885**	**39,294**	**5,591**

Beloww is a summary analysis of the business lines of the Operations Center in Israel for the years ended June 30, 2017 and 2016

	Real Estate			Supermarkets			Telecommunications			Insurance			Corporate			Others			Total		
	06.30.17	06.30.16	Variation	06.30.17	06.30.16	Variation	06.30.17	06.30.16	Variation	06.30.17	06.30.16	Variation	06.30.17	06.30.16	Variation	06.30.17	06.30.16	Variation	06.30.17	06.30.16	Variation
											(en millones de pesos)										
Revenues	4,918	1,538	3,380	47,277	18,610	28,667	15,964	6,655	9,309	-	-	-	-	-	-	263	274	(11)	68,422	27,077	41,345
Costs	(2,333)	(467)	(1,866)	(35,432)	(14,076)	(21,356)	(11,183)	(4,525)	(6,658)	-	-	-	-	-	-	(162)	(184)	22	(49,110)	(19,252)	(29,858)
Gross profit	**2,585**	**1,071**	**1,514**	**11,845**	**4,534**	**7,311**	**4,781**	**2,130**	**2,651**	**-**	**-**	**-**	**-**	**-**	**-**	**101**	**90**	**11**	**19,312**	**7,825**	**11,487**
Net gain from fair value adjustment of investment properties	261	(294)	555	113	23	90	-	-	-	-	-	-	-	-	-	-	-	-	374	(271)	645
General and administrative expenses	(290)	(100)	(190)	(627)	(203)	(424)	(1,592)	(708)	(884)	-	-	-	(384)	(321)	(63)	(280)	(28)	(252)	(3,173)	(1,360)	(1,813)
Selling expenses	(91)	(29)	(62)	(9,517)	(3,907)	(5,610)	(3,406)	(1,493)	(1,913)	-	-	-	-	-	-	(79)	(13)	(66)	(13,093)	(5,442)	(7,651)
Other operating results, net	46	(19)	65	(52)	(13)	(39)	(36)	-	(36)	-	-	-	(48)	-	(48)	(106)	-	(106)	(196)	(32)	(164)
Profit / (loss) from operations	**2,511**	**629**	**1,882**	**1,762**	**434**	**1,328**	**(253)**	**(71)**	**(182)**	**-**	**-**	**-**	**(432)**	**(321)**	**(111)**	**(364)**	**49**	**(413)**	**3,224**	**720**	**2,504**
Share of (loss) of associates and joint ventures	46	226	(180)	75	-	75	-	-	-	-	-	-	-	-	-	(16)	(103)	87	105	123	(18)
Segment profit / (loss)	**2,557**	**855**	**1,702**	**1,837**	**434**	**1,403**	**(253)**	**(71)**	**(182)**	**-**	**-**	**-**	**(432)**	**(321)**	**(111)**	**(380)**	**(54)**	**(326)**	**3,329**	**843**	**2,486**
Reportable assets	79,427	60,678	18,749	38,521	29,440	9,081	31,648	27,345	4,303	8,562	4,602	3,960	14,734	1,753	12,981	6,072	23,652	(17,580)	178,964	147,470	31,494
Reportable liabilities	(64,100)	(49,576)	(14,524)	(29,239)	(23,614)	(5,625)	(25,032)	(21,657)	(3,375)	-	-	-	(33,705)	(10,441)	(23,264)	(3,159)	(27,701)	24,542	(155,235)	(132,989)	(22,246)
Net reportable assets	**15,327**	**11,102**	**4,225**	**9,282**	**5,826**	**3,456**	**6,616**	**5,688**	**928**	**8,562**	**4,602**	**3,960**	**(18,971)**	**(8,688)**	**(10,283)**	**2,913**	**(4,049)**	**6,962**	**23,729**	**14,481**	**9,248**

Results of the operations corresponding to the fiscal years ended on June 30, 2017 and 2016.

<u>Revenue 2017 vs 2016</u>

Revenues from sales, leases and services, according to the income statement increased by Ps.14,088 million, a 109.1% up from Ps.12,916 million during fiscal year 2016 to Ps.27,004 million during fiscal year 2017 (out of which Ps.68,422 million were generated the Operations Center in Israel compensated with the effect of the deconsolidation of Shufersal for Ps.47.168 and Ps.5,750 million were generated in the Operations Center in Argentina).

Without considering the revenues from the Operations Center in Israel, revenues from sales, leases and services increased by 29.3%. Revenues from sales, leases and services in the operations Center In Israel are not comparable year to year due to two main factors: (i) the results of operations for the fiscal year ended June 30, 2016 include only six months of operations from the operations from the Operations center in Israel, from October 11, 2015 (the date we acquired control of IDBD) through March 31, 2016 (adjusted by such material transactions occurred between April 1, 2016 and June 30, 2016,) while the results of operations for the fiscal year ended June 30, 2017 include twelve months of operations from the operations centers in Israel, from April 1, 2016 through March 31, 2017 (adjusted by such material transactions occurred between April 1st, 2017 and June 30, 2017) and (ii) fluctuations between the Israeli Shekel, the functional currency of the Operation Center in Israel and the Argentine Peso, the groups reporting currency, i.e. the Israeli Shekel appreciated approximately 24% from 2016 to 2017.

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

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

Finally, inter-segment revenues increased by 25.0%, from Ps.8 million during fiscal year 2016 (of which Ps.7 million are allocated to the Offices segment and Ps.1 million to the Hotels segment within the Operations Center in Argentina) to Ps.10 million during fiscal year 2017 (of which Ps.8 million are allocated to the Offices segment and Ps.2 million to the Hotels segment within the Operations Center in Argentina).

Thus, according to business segment reporting (taking into consideration the revenues from our joint ventures and without considering the revenues from expenses and collective promotion fund or inter-segment revenues), revenues grew by Ps.42,367 million from Ps.30,366 million during fiscal year 2016 to Ps.72,733 million during fiscal year 2017 (of which Ps.68,422 million are derived from the Operations Center in Israel and Ps.4,311 million are derived from the Operations Center in Argentina). Without considering the revenues from the Operations Center in Israel, revenues, pursuant to business segment reporting, grew by 31.1%.

Operations Center in Argentina

Shopping Malls. Revenues from the Shopping Malls segment increased by 26.5% from Ps.2,409 million during the 2016 fiscal year to Ps.3,047 million during the 2017 fiscal year. This increase is mainly attributable to: (i) an increase of Ps.408 million in revenues from fixed and variable leases as a result of a 19.4% increase in our tenants' total sales, which went from Ps.42 million during fiscal year 2016 to Ps.50 million during fiscal year 2017; (ii) an increase of Ps.55 million in revenue from admission rights, (iii) an increase of Ps.40 million in parking revenues, and (iv) an increase of Ps.135 million in fee income, among other concepts.

Offices. Revenues from the Offices segment increased by 30.7% from Ps.332 million in 2016 to Ps.434 million in fiscal year 2017. They were affected by the partial sales of investment properties made during the year 2017, which generated a reduction in the total leasable area of the segment. Lease revenue increased by 28.8%, from Ps.324 million during the year ended June 30, 2016 to Ps.419 million during the year ended June 30, 2017, mainly as a result of the devaluation.

Sales and developments. Revenues from the Sales and Developments segment registered an increase of Ps.91 million, from Ps.8 million during fiscal year 2016 to Ps.99 million during fiscal year 2017. This segment often varies significantly from one period to another due to the no recurrence of the different sales operations carried out by the Group over time. This increase is mainly due to the sales of the Beruti flats and parking spaces in Rosario.

Hotels. Revenues from our Hotels segment increased 35.8% from Ps.534 million in 2016 to Ps.725 million in 2017, mainly due to an increase in the average room rate of our hotel portfolio (measured in pesos).

International. The income associated with our International segment did not show significant variations for the years presented.

Corporate. The income associated with our Corporate segment did not show significant variations for the years presented.

Others. The income associated with our Other segment did not present significant variations for the years presented.

Operations Center in Israel

Real estate. Revenues from the Real estate segment increased from Ps.1,538 million during fiscal year 2016 to Ps.4,918 million during fiscal year 2017. This variation was due to (i) the comparability of the figures, (ii) a revaluation of 24 % of the NIS against the Argentine peso, and (iii) an increase in the occupancy of the residential apartments during 2017, which allowed the sale to be accounted for.

Supermarkets. Revenue from the Supermarket segment increased from Ps.18,610 million during the fiscal year 2016 to Ps.47,277 million during the fiscal year 2017. This variation was due to (i) the comparability of the figures, (ii) a revaluation of 24% of the NIS against the Argentine peso.

Telecommunications. Revenues from the Telecommunications segment increased from Ps.6,655 million during the fiscal year 2016 to Ps.15,964 million during the fiscal year 2017. This variation was due to (i) the comparability of the figures, (ii) a revaluation of 24% of the NIS against the Argentine peso,

Others. Others segment revenues decreased from Ps.274 million during fiscal year 2016 to Ps.263 million during fiscal year 2017. This variation was due to (i) the comparability of the figures, (ii) a revaluation of 24% of the NIS against the Argentine peso, and (iii) the sale of some DIC's assets that generate income.

Costs 2017 vs 2016

Costs increased by Ps.8,997 million, up from Ps.7,036 million during fiscal year 2016 to Ps.16,033 million during fiscal year 2017 (out of which Ps.49,110 million where generated in the Operations Center in Israel compensated with the effect of the deconsolidation of Shufersal for Ps.35,488 and Ps.2,411 million were generated in the Operations Center in Argentina). Without considering the costs from the Operations Center in Israel, costs rose by 30.5%. Costs as a percentage of revenues also increased from 54.5% during fiscal year 2016 to 59.4% during fiscal year 2017, and such increase is mainly attributable to the Operations Center in Israel. Without considering the costs from the Operations Center in Israel, costs as a percentage of total revenues experienced a slight increase from 41.5% during fiscal year 2016 to 41.9% during fiscal year 2017.

The costs, leases and services in the Operations Center in Israel are not comparable year to year due to two main factors: (i) the results of operations for the fiscal year ended June 30, 2016 include only six months of operations from the Operations Center in Israel, from October 11, 2015 (the date control was acquired) through March 31, 2016 (adjusted by such material transactions occurred between April 1, 2016 and June 30, 2016.) While the results of operations for the fiscal year ended June 30, 2017 include twelve months of operations from the Operations Center in Israel, from April 1, 2016 through March 31, 2017 (adjusted by such material transactions occurred between April 1, 2017 and June 30,2017) and (ii) fluctuations between the Israeli Shekel, the functional currency of the Operations Center Israel and the Argentine Peso, the Group´s reporting currency, i.e. the Israeli Shekel appreciated approximately 24% from 2016 to 2017.

In turn, costs from expenses and collective promotion fund increased by 25.7%, from Ps.1,207 million during fiscal year 2016 (of which Ps.1,113 million are allocated to the Shopping Malls segment and Ps.94 million to the Offices segment within the Operations Center in Argentina) to Ps.1,517 million during fiscal year 2017 (of which Ps.1,400 million are allocated to the Shopping Malls segment and Ps.117 million to the Offices segment within the Operations Center in Argentina), mainly due to increased costs originated by our Shopping Malls, which rose by 25.8% from Ps.1,113 million in fiscal year 2016 to Ps.1,400 million in fiscal year 2017, mainly as a result of: (i) an increase in maintenance, security, cleaning, repair and other expenses of Ps.142 million (caused mainly by price raises in security and cleaning services and in public utilities rates); (ii) an increase in salaries, social security charges and other personnel expenses of Ps.109 million; (iii) an increase in taxes, rates and contributions, and other expenses of Ps.36 million, among others. Such change was also attributable to an increase in expenses resulting from the Offices segment by Ps.23 million, from Ps.94 million during fiscal year 2016 to Ps.117 million during fiscal year 2017, mainly due to: (i) maintenance, cleaning expenses, and rentals and expenses and others in the amount of Ps.22 million; (ii) salaries and social security charges by Ps.6 million; (iii) taxes, rates and contributions by Ps.4 million for the Operation Center in Argentina.

Operations Center in Argentina

Shopping Malls. Costs of the Shopping Malls segment increased by 40.0%, from Ps.250 million during the year 2016 to Ps.350 million during fiscal year 2017, mainly due to: (i) an increase in leases costs and expenses for Ps.41 million; (ii) an increase in maintenance, security, cleaning, repairs and related expenses in Ps.30 million; (iii) an increase in salaries, social security and other personnel administration expenses of Ps.23 million and; (iv) an increase in fees and compensation for services of Ps.3 million, among other items. The costs of the Shopping Malls segment, measured as a percentage of the revenues of this segment, increased from 10.4% during the year 2016 to 11.5% during the year 2017.

Offices. The costs of the Offices segment increased by 16.0%, from Ps.25 million during the year 2016 to Ps.29 million during fiscal year 2017, mainly due to: (i) an increase in taxes, rates and contributions of Ps.2 million; and (ii) an increase in amortization and depreciation of Ps.2 million. The costs of the Offices segment, measured as a percentage of the revenues of this segment, decreased from 7.5% during the year 2016 to 6.7% during the year 2017.

Sales and developments. Costs for this segment often vary significantly from year to year due to the non-recurrence of the different sales operations carried out by the Company over time. The associated costs of our Sales and development segment registered an increase of 115.0%, from Ps.20 million during the year 2016 to Ps.43 million during the year 2017. The costs of the Sales and development segment, measured as a percentage of the revenues of this segment decreased from 250.0% during 2016 to 43.4% during fiscal year 2017.

Hotels. The costs of the Hotels segment increased by 34.6%, from Ps.361 million in 2016 to Ps.486 million in 2017, mainly as a result of: (i) an increase of Ps.68 million in costs of salaries, social security and other personnel expenses; (ii) an increase of Ps.26 million in maintenance and repairs; (iii) higher charges of Ps.30 million in food, beverages and other hotel expenses, respectively. The costs of the Hotels segment, measured as a percentage of the revenues of this segment, decreased from 67.6% during the year 2016 to 67.0% during the year 2017.

International. The costs of the International segment did not vary significantly with respect to 2016.

Corporate. The costs of the Corporate segment did not vary significantly with respect to 2016.

Others. The Other segment costs did not vary significantly with respect to 2016.

Operations Center in Israel

Real estate. Real estate segment costs increased from Ps.467 million during fiscal year 2016 to Ps.2,333 million during the fiscal year 2017. This variation was due to (i) the comparability of the figures, (ii) a revaluation of 24% of the NIS against the Argentine peso, and (iii) the occupation of income generating projects in Israel., and the largest occupancy of residential apartments. In addition, costs, as a percentage of the revenue derived from this segment, represented 47.4% in 2017, while it was 30.4% in 2016.

Supermarkets. The costs of the Supermarket segment increased from Ps 14,076 million during the fiscal year 2016 to Ps 35,432 million during the fiscal year 2017. This variation was due to (i) the comparability of the figures and (ii) a revaluation of 24% of the NIS against the Argentine peso. In addition, costs, as a percentage of revenues derived from this segment, represented 74.9%, in 2017, while it was 75.6% in 2016.

Telecommunications. Costs of the Telecommunications segment increased from Ps.4,525 million during the fiscal year 2016 to Ps.11,183 million during the fiscal year 2017. This variation was due to (i) the comparability of the figures and (ii) a revaluation of 24% of the NIS against the Argentine peso. In addition, costs, as a percentage of revenues derived from this segment, represented 70.1%, in 2017, while it was 68.0% in 2016.

Others. Other segment costs decreased from Ps.184 million during fiscal year 2016 to Ps.162 million during fiscal year 2017. This variation was due to (i) the comparability of the figures, (ii) a revaluation of 24% of the NIS against the Argentine peso, and (iii) the sale of some DIC's assets. In addition, the costs, as a percentage of the revenue derived from this segment, represented 61.6%, in 2017, while it was 67.2% in 2016.

Gross profit 2017 vs 2016

Gross profit, pursuant to the income statement, increased by Ps.5,091 million, up from Ps.5,880 million during fiscal year 2016 (of which Ps.7,825 million are derived from the Operations Center in Israel compensated with the effect of the deconsolidation of Shufersal for Ps.4,544 and Ps.2,599 million from the Operations Center in Argentina) to Ps.10,971 million during fiscal year 2017 (of which Ps.19,312 million are derived from the Operations Center in Israel compensated with the effect of the deconsolidation of Shufersal for Ps.11,680 and Ps.3,339 million from the Operations Center in Argentina). Without considering the effect of the Operations Center in Israel, gross profit rose by 28.5%. Gross profit, as a percentage of revenues from sales, leases and services, decreased from 45.5% during fiscal year 2016 to 40.6% during fiscal year 2017. Without considering the effect of the Operations Center in Israel, gross profit, as a percentage of revenues from sales, leases and services, pursuant to the income statement, experienced a slight decline from 58.5% during fiscal year 2016 to 58.1% during fiscal year 2017. The Gross Profit, leases and services in the Operations Center in Israel are not comparable year to year due two main factors: (i) the results of operations for the fiscal year ended Junes 30, 2016 include only six months of operations from the Operations Center in Israel, from October 11, 2015 (the date control was acquired) through March 31, 2016 (adjusted by such material transactions occurred between April 1, 2016 and June 30, 2016) While the results of operations for the fiscal year ended June 30, 2017 include twelve months of operations from the Operations Center in Israel, from April1, 2016 through March 31, 2017 (adjusted by such material transactions occurred between April 1, 2017 and June 30, 2017) and (ii) fluctuations between the Israeli Shekel, the functional currency of the Operations Center Israel and the Argentine Peso, the Group´s reporting currency, i.e. the Israeli Shekel appreciated approximately 24% from 2016 to 2017.

In turn, total gross profit from expenses and collective promotion fund increased by Ps.14 million, from Ps.13 million during fiscal year 2016 (of which Ps.12 million are derived from the Shopping Malls segment and Ps.1 million from the Offices segment) to Ps.27 million during fiscal year 2017 (of which Ps.25 million are derived from the Shopping Malls segment and Ps.2 million from the Offices segment) for the Operation Center in Argentina.

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

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

Operations Center in Argentina

Shopping Malls. The gross profit of the Shopping Malls segment increased by 24.9%, from Ps.2,159 million for the year 2016 to Ps.2,697 million during the fiscal year 2017, mainly as a result of the increase in the total sales of our tenants, giving as a result, higher percentage rents under our lease agreements. The gross profit of the Shopping Malls segment as a percentage of the segment's revenues decreased slightly from 89.6% during 2016, to 88.5% during fiscal year 2017.

Offices. The gross profit of the Offices segment increased by 31.9% from Ps.307 million for the year 2016 to Ps.405 million during the fiscal year 2017. The gross profit of the Offices segment, measured as a percentage of the revenues of this segment, increased from 92.5% during fiscal year 2016 to 93.3% during fiscal year 2017.

Sales and developments. The gross result of the Sales and developments segment increased by Ps.68 million, going from a Ps.12 million losses for the year 2016 to a profit of Ps.56 million during fiscal year 2017, mainly as a consequence of the higher registered sales during fiscal year 2017 and the decrease in maintenance and conservation costs of these properties.

Hotels. The gross profit of the Hotels segment increased by 38.2% from Ps.173 million for the year 2016 to Ps.239 million during the year 2017. The gross profit of the Hotels segment, measured as a percentage of the revenues of this segment, increased slightly from 32.4% during 2016 to 33.0% during fiscal year 2017.

International. The gross profit of the International segment did not present variations between the years presented.

Corporate. The gross profit of the Corporate segment did not present variations between the years presented.

Others. The gross profit of the Other segment did not show variations between the years presented.

Operations Center in Israel

Real estate. The gross profit of the Real estate segment increased from Ps.1,071 million during the fiscal year 2016 to Ps.2,585 million during the fiscal year 2017. This variation was due to (i) the comparability of the figures and (ii) a revaluation of 24% of the NIS against the Argentine peso. In 2017, gross profit as a percentage of revenues derived from this segment represented 52.6%.

Supermarkets. The gross profit of the Supermarket segment increased from Ps.4,534 million during fiscal year 2016 to Ps.11,845 million during the fiscal year 2017. This variation was due to (i) the comparability of the figures and (ii) a revaluation of 24% of the NIS against the Argentine peso. In 2017, gross profit as a percentage of revenues derived from this segment represented 25.1%.

Telecommunications. The gross profit of the Telecommunications segment increased from Ps.2,130 million during fiscal year 2016 to Ps.4,781 million during the fiscal year 2017. This variation was due to (i) the comparability of the figures and (ii) a revaluation of 24% of the NIS against the Argentine peso. In 2017, gross profit as a percentage of revenues derived from this segment represented 29.9%.

Net gain from fair value adjustment of investment properties 2017 vs 2016

Net gain from fair value adjustment of investment properties, pursuant to the income statement, decreased by Ps.13,196 million, from Ps.17,536 million during fiscal year 2016 (of which a Ps.271 million loss derives from the Operations Center in Israel compensated with the effect of the deconsolidation of Shufersal for Ps.23 and a Ps.17,830 million income from the Operations Center in Argentina) to Ps.4,340 million during fiscal year 2017 (of which Ps.374 million derive from the Operations Center in Israel compensated with the effect of the deconsolidation of Shufersal for Ps.113 and Ps.4,079 million from the Operations Center in Argentina).

The net gain from fair value adjustment of investment properties, leases and services in the Operations Center in Israel are not comparable year to year due two main factors: (i) the results of operations for the fiscal year ended Junes 30, 2016 include only six months of operations from the Operations Center in Israel, from October 11, 2015 (the date control was acquired) through March 31, 2016 (adjusted by such material transactions occurred between April 1, 2016 and June 30, 2016) While the results of operations for the fiscal year ended June 30, 2017 include twelve months of operations from the Operations Center in Israel, from April1, 2016 through March 31, 2017 (adjusted by such material transactions occurred between April 1, 2017 and June 30, 2017) and (ii) fluctuations between the Israeli Shekel, the functional currency of the Operations Center Israel and the Argentine Peso, the Group´s reporting currency, i.e. the Israeli Shekel appreciated approximately 24% from 2016 to 2017.

Operations Center in Argentina:

The net gain of changes in the fair value of our investment properties for the fiscal year ended June 30, 2017 was Ps.4,271 million (Ps.2,068 million from our Shopping Malls segment, Ps.1,359 million from the Offices segment and Ps.849 million from the Sales and Developments segment and Ps 5 million from the Other segment). The significant increase in the peso values of our properties was mainly due to: (i) a slight decrease of 16 basis points in the discount rate used when applying the discounted cash flow valuation methodology that increases the value of the investment properties; which was mainly due to macroeconomic improvements that led to a decrease in the cost of capital; and (ii) from June 2016 to June 2017, the Argentine peso depreciated close to 11% against the US dollar (from Ps.14.99 per US$.1.00 to Ps.16.63 per US$.1.00) and the value of our investment properties are referenced in dollars since most of the real estate transactions in Argentina are made in that currency.

We maintained the same portfolio of Shopping Malls between the fiscal year ended on June 30, 2017 and 2016. The values of our shopping Malls increased 8.2% during the fiscal year ended on June 30, 2017, due in large part to a decrease in our cost of capital and the impact of the depreciation of the peso.

The value of our office buildings increased 33.6% during the fiscal year ended June 30, 2017, largely as a result of the impact of the peso depreciation and the rental value growth. Additionally, we obtained gains from the sale of office properties for Ps.100 million during the fiscal year ended June 30, 2017 compared to Ps.908 million in the same period of 2016, due to the sale of offices and parking spaces in several buildings.

Operations Center in Israel

Real estate. During fiscal year 2017, the net result from changes in the fair value of investment properties in the Real estate segment was Ps.261 million, which, measured as a percentage of this segment's revenues, represented 5.3%. In 2016, the result of this segment was a loss of Ps.294 million. This variation is mainly due to the devaluation of the Las Vegas project (Tivoli) and a small revaluation of the HSBC building, offset by an increase in the fair value of the rest of the investment properties.

Supermarkets. During fiscal year 2017, the net result of changes in the fair value of investment properties in the Supermarkets segment was a gain of Ps.113 million. In 2016, the result of this segment was a gain of Ps.23 million.

General and administration expenses 2017 vs 2016

Total general and administrative expenses, pursuant to the income statement, increased by Ps.1,580 million, up from Ps.1,639 million during fiscal year 2016 (of which Ps.1,360 million are attributable to the Operations Center in Israel compensated with the effect of the deconsolidation of Shufersal for Ps.200 and Ps.479 million to the Operations Center in Argentina) to Ps.3,219 million during fiscal year 2017 (of which Ps.3,173 million are attributable to the Operations Center in Israel compensated with the effect of the deconsolidation of Shufersal for Ps.624 and Ps.670 million to the

Operations Center in Argentina). Without considering the effect of the Operations Center in Israel, general and administrative expenses rose by 39.9%. Total general and administrative expenses, as a percentage of revenues from sales, leases and services, decreased slightly from 12.7% during fiscal year 2016 to 11.9% during fiscal year 2017. Without considering the effect of the Operations Center in Israel, total general and administrative expenses, as a percentage of total revenues from sales, leases and services, pursuant to the income statement, increased from 10.8% during fiscal year 2016 to 11.7% during fiscal year 2017.

General administrative and expenses in the Operations Center in Israel are not comparable year to year due two main factors: (i) the results of operations for the fiscal year ended Junes 30, 2016 include only six months of operations from the Operations Center in Israel, from October 11, 2015 (the date control was acquired) through March 31, 2016 (adjusted by such material transactions occurred between April 1, 2016 and June 30, 2016) While the results of operations for the fiscal year ended June 30, 2017 include twelve months of operations from the Operations Center in Israel, from April1, 2016 through March 31, 2017 (adjusted by such material transactions occurred between April 1, 2017 and June 30, 2017) and (ii) fluctuations between the Israeli Shekel, the functional currency of the Operations Center Israel and the Argentine Peso, the Group´s reporting currency, i.e. the Israeli Shekel appreciated approximately 24% from 2016 to 2017.

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

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

Therefore, according to business segment reporting (taking into consideration administrative expenses from our joint ventures and without considering those related to expenses and collective promotion fund or expenses related to inter-segment operations), general and administrative expenses rose by Ps.2,009 million from Ps.1,847 million during fiscal year 2016 (of which Ps.1,360 million derive from the Operations Center in Israel and Ps.487 million from the Operations Center in Argentina) to Ps.3,856 million during fiscal year 2017 (of which Ps.3,173 million are attributable to the Operations Center in Israel and Ps.683 million to the Operations Center in Argentina).

Without considering the general and administrative expenses from the Operations Center in Israel, expenses rose by 40.2%. General and administrative expenses as a percentage of revenues, pursuant to business segment reporting, declined from 6.1% during fiscal year 2016 to 5.3% during fiscal year 2017. Without considering the effect of the Operations Center in Israel, total general and administrative expenses, as a percentage of total revenues, experienced a slight decrease from 14.8% during fiscal year 2016 to 15.8% during fiscal year 2017.

Operations Center in Argentina

Shopping Malls. The general and administrative expenses of Shopping Malls increased by 45.8%, from Ps.179 million in 2016 to Ps.261 million during fiscal year 2017, mainly as a consequence of: (i) an increase of Ps.33 million in salaries, social security and other personnel expenses; (ii) an increase of Ps.25 million in fees and compensation for services; (iii) an increase in fees to directors of Ps.14 million; and (iv) an increase of Ps.7 million in maintenance expenses, repairs and services, mobility and travel expenses, among other items. The general and administrative expenses of Shopping Malls as a percentage of this segment's revenues increased from 7.4% during 2016 to 8.6% during fiscal year 2017.

Offices. The general and administrative expenses of our Offices segment decreased by 17.6%, from Ps.85 million during fiscal year 2016 to Ps.70 million during fiscal year 2017, mainly as a result of: (i) a decrease of Ps.4 million in salaries, social security and other personnel expenses and (ii) a decrease in fees and compensation for services of Ps.18 million, among other items offset by an increase in fees to Directors of Ps.9 million. General and administrative expenses, measured as a percentage of revenues in the same segment, decreased from 25.6% during the year 2016 to 16.1% during fiscal year 2017.

Sales and developments. General and administrative expenses associated with our Sales and Developments segment increased by Ps.16 million, from Ps.24 million during fiscal year 2016 to Ps.40 million during fiscal year 2017, mainly as a result of: (i) an increase in salaries, social security and other personnel expenses of Ps.11 million; (ii) an increase in fees to directors of Ps.2 million and; (iii) an increase of Ps.2 million in maintenance, repairs and services expenses, partially offset by a Ps.2 million decrease in fees and compensation for services. General and administrative expenses, measured as a percentage of revenues from the same segment, decreased from 300.00% during the year 2016 to 40.4% during the year 2017.

Hotels. General and administrative expenses associated with our Hotels segment increased by 31.1% from Ps.103 million during the year 2016 to Ps.135 million during fiscal year 2017, mainly as a result of: (i) an increase of Ps.17 million in salaries, social security and other personnel expenses; (ii) an increase of Ps.6 million in maintenance, repairs and services expenses; (iii) an increase of Ps.5 million in taxes, fees and contributions and; (iv) an increase of Ps.5 million in the costs of fees and compensation for services, among other items. General and administrative expenses associated with the Hotels segment measured as a percentage of this segment's revenues decreased from 19.3% in 2016 to 18.6% in fiscal year 2017.

International. General and administrative expenses associated with our International segment increased by 79.2%, from Ps.24 million during the year 2016 to Ps.43 million during fiscal year 2017, mainly by fees for services incurred in connection with the investment in IDBD and Other expenses.

Corporate. General and administrative expenses associated with our Corporate segment increased 83.3%, from Ps.72 million during the year 2016 to Ps.132 million during fiscal year 2017, mainly due to (i) an increase of Ps.19 million in salaries, social security and other personnel expenses; (ii) an increase of Ps.14 million in fees and compensation for services; (iii) an increase of Ps.11 million in travel expenses, mobility and office supplies and; (iv) an increase of Ps.8 million in fees to directors, among other items.

Others. General and administrative expenses associated with our Other segment increased 100% from Ps.0 million in 2016 to Ps.2 million in 2017, mainly due to (i) an increase of Ps.4 million in salaries, social charges and other expenses of the staff compensated with a decrease in rents and expenses.

Operations Center in Israel

Real estate. General and administrative expenses for the Real Estate segment increased from Ps.100 million during fiscal year 2016 to Ps.290 million during the fiscal year 2017. This variation was due to (i) the comparability of the figures, (ii) a revaluation of 24% of the NIS against the Argentine peso, and (iii) a greater occupation of the investment property and an increase in the number of employees.

Supermarkets. The general and administrative expenses of the Supermarkets segment increased from Ps.203 million during the fiscal year 2016 to Ps.627 million during the fiscal year 2017. This variation was due to (i) the comparability of the figures, (ii) a revaluation of 24% of the NIS against the Argentine peso; and (iii) an increase in the minimum salary accompanied by an increase in the number of employees.

Telecommunications. The general and administrative expenses of the Telecommunications segment increased from Ps.708 million during the fiscal year 2016 to Ps.1,592 million during the fiscal year 2017. This variation was due to (i) the comparability of the figures, (ii) a revaluation of 24% of the NIS against the Argentine peso, and (iii) an increase in the efficiency of Cellcom that allowed to reduce expenses and the decrease in depreciation and amortization expenses.

Corporate. The general and administrative expenses of the Corporate segment increased from Ps.321 million during the fiscal year 2016 to Ps.384 million during fiscal year 2017. This variation was due to (i) the comparability of the figures, (ii) a revaluation of 24% of the NIS against the Argentine peso, and (iii) a considerable decrease in legal fees during 2017.

Others. General and administrative expenses for the Others segment increased from Ps.28 million during the fiscal year 2016 to Ps.280 million during the fiscal year 2017. This variation was due to (i) the comparability of the figures, (ii) a revaluation of 24% of the NIS against the Argentine peso, and (iii) an increase in payroll.

Selling expenses 2017 vs 2016

Total consolidated selling expenses, pursuant to the income statement, increased by Ps.2,165 million, up from Ps.1,842 million during fiscal year 2016 to Ps.4,007 million during fiscal year 2017 (of which Ps.13,093 million are attributable to the Operations Center in Israel compensated with the effect of the deconsolidation of Shufersal for Ps.9,434 and Ps.348 million to the Operations Center in Argentina). Without considering the effect of the Operations Center in Israel, selling expenses rose by 32.8%. Selling expenses, as a percentage of revenues from sales, leases and services, increased from 14.3% during fiscal year 2016 to 14.8% during fiscal year 2017. Without considering the effect of the Operations Center in Israel, total selling expenses, as a percentage of revenues from sales, leases and services, experienced a slight increase from 5.9% during fiscal year 2016 to 6.1% during fiscal year 2017.

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

Therefore, according to business segment reporting (taking into consideration the selling expenses from our joint ventures and without considering those related to expenses and collective promotion fund or inter-segment expenses), selling expenses rose by Ps.7,742 million from Ps.5,706 million during fiscal year 2016 to Ps.13,448 million during fiscal year 2017 (of which Ps.13,093 million are attributable to the Operations Center in Israel and Ps.355 million to the Operations Center in Argentina). Without considering the effect of the Operations Center in Israel, selling expenses rose by 34.5%. Selling expenses, as a percentage of revenues, pursuant to business segment reporting, decreased from 18.8% during fiscal year 2016 to 18.5% during fiscal year 2017. Without considering the effect of the Operations Center in Israel, total selling expenses as a percentage of total revenues pursuant to business segment reporting, experienced a slight increase from 8.0% during fiscal year 2016 to 8.2% during fiscal year 2017.

Operation Center in Argentina

Shopping Malls. Selling expenses in the Shopping Malls segment rose by 29.7%, up from Ps.145 million during fiscal year 2016 to Ps.188 million during fiscal year 2017, primarily as a result of (i) higher taxes, rates and contributions of Ps.19 million, due to higher charges in gross income taxes; (ii) higher loan loss charges of Ps.13 million; (iii) an increase in advertising and other selling expenses of Ps.6 million; and (iv) an increase of Ps.5 million in salaries, social securities and other personnel expenses. Selling expenses, as a percentage of the Shopping Malls segment's revenues, rose from 6.0% during fiscal year 2016 to 6.2% during fiscal year 2017.

Offices. Selling expenses associated to our Offices segment increased by 91.7%, from Ps.24 million during fiscal year 2016 to Ps.46 million during fiscal year 2017. Such variation was mainly due to higher loan loss charges of Ps.22 million, among other factors. The selling expenses associated to our Offices segment, as a percentage of this segment's revenues, rose from 7.2% during fiscal year 2016 to 10.6% during fiscal year 2017.

Sales and Developments. Selling expenses for the Sales and Developments segment decreased by Ps.2 million, from Ps.23 million during fiscal year 2016 to Ps.21 million during fiscal year 2017, mainly as a result of (i) a decrease in taxes, rates and contributions of Ps.9 million; offset by (ii) an increase of Ps.3 million in salaries, social securities and other personnel expenses; (iii) an increase in advertising and other selling expenses of Ps.2 million; and (iv) higher loan loss charges of Ps.2 million.

Hotels. Selling expenses associated to our Hotels segment rose by 40.6%, from Ps.69 million during fiscal year 2016 to Ps.97 million during fiscal year 2017, mainly due to (i) an increase in taxes, rates and contributions of Ps.35 million; and (ii) an increase of Ps.9 million in salaries, social security and other personnel expenses; among other factor, offset by (iii) a decrease of Ps.11 million in advertising and other selling expenses. Selling expenses associated to our Hotels segment as a percentage of this segment's revenues experienced a slight increase from 12.9% during fiscal year 2016 to 13.4% during fiscal year 2017.

International. Selling expenses associated to our International segment did not experience significant changes during the reported periods.

Corporate. Selling expenses associated to our Corporate segment did not experience significant changes during the reported periods.

Others. Selling expenses associated to our Others segment did not experience significant changes during the reported periods.

Operation Center in Israel

Real Estate. Selling expenses from the Real Estate segment increased from Ps.29 million during fiscal year 2016 to Ps.91 million during fiscal year 2017. Such variation was due to (i) the comparability of the figures, (ii) a 24% revaluation of the NIS against the Argentine peso, and (iii) an increase in marketing due to the higher efforts to increase the occupancy of the investment properties and the promotion of new projects.

Supermarkets. Selling expenses from the Supermarket segment increased from Ps.3,907 million during fiscal year 2016 to Ps.9,517 million during fiscal year 2017. Such variation was due to (i) the comparability of the figures and (ii) a 24% revaluation of the NIS against the Argentine peso.

Telecommunications. Selling expenses from the Telecommunications segment increased from Ps.1,493 million during fiscal year 2016 to Ps.3,406 million during fiscal year 2017. Such variation was due to (i) the comparability of the figures, (ii) a 24% revaluation of the NIS against the Argentine peso, and (iii) the increased efficiency measures which were implemented by Cellcom, which led to a decrease in advertising expenses and other expenses.

Others. Selling expenses from the Others segment increased from Ps.13 million during fiscal year 2016 to Ps.79 million during fiscal year 2017. Such variation was due to (i) the comparability of the figures, (ii) a 24% revaluation of the NIS against the Argentine peso, and (iii) due to commission and other commercial costs related to the sale of some assets.

Other operating results, net 2017 vs 2016

Other operating results, net, pursuant to the income statement, declined by Ps.174 million, from a net loss of Ps.32 million during fiscal year 2016 to a net loss of Ps.206 million during fiscal year 2017 (Ps.74 million from the Operations Center in Argentina and Ps.196 million from the Operations Center in Israel compensated with the effect of the deconsolidation of Shufersal for Ps.64). Such decline is mostly attributable to a decrease in the exchange difference as a result of consolidating IDBD for Ps.107 million.

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

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

Therefore, according to business segment reporting (taking into consideration the other operating results, net from our joint ventures and without considering those related to inter-segment operations), other operating results, net decreased by Ps.220 million from a net loss of Ps.44 million during fiscal year 2016 to a net loss of Ps.264 million during fiscal year 2017. Without considering the effect of the Operations Center in Israel, Other operating results declined by Ps.56 million.

Operation Center in Argentina

Shopping Malls. The operating results, net, of the Shopping Malls segment decreased by 7.9%, going from a loss of Ps.63 million during the year 2016 to a loss of Ps.58 million during fiscal year 2017, mainly as a result of (i) a higher expense for lawsuits and contingencies of Ps.11 million; (ii) a higher expense for donations of Ps.8 million; partially offset by: (iii) a lower loss in other as a result of the fair value adjustment during FY 2016 and; (iv) a lower expense for project evaluations of Ps.5 million. The operating results, net of this segment, as a percentage of this segment's revenues, decreased from 2.6% during 2016 to 1.9% during fiscal year 2017.

Offices. The operating results, net associated with our Offices segment decreased Ps.6 million, from a loss of Ps.6 million during the year 2016 to a loss of Ps.12 million during fiscal year 2017, mainly as a result of the result from the sale and disposal of property, plant and equipment, among other concepts.

Sales and developments. The operating results, net associated with our Sales and Developments segment decreased by Ps.2 million, going from a loss of Ps.34 million during the year 2016 to a loss of Ps.36 million during fiscal year 2017, mainly as a result of the by sale and disposal of property, plant and equipment.

Hotels. The operating results, net associated with the Hotels segment increased by Ps.1 million, mainly due to a higher expense for lawsuits and contingencies.

International. The operating results, net of this segment decreased by 70.7%, going from a net profit of Ps.92 million during the year 2016 to a net profit of Ps.27 million during fiscal year 2017, mainly due to the decrease in profit generated by the partial reversal of the cumulative translation adjustment. As of June 30, 2016, it corresponds mainly to the reversal of the translation adjustment before the business combination of IDBD.

Corporate. The operating results, net of the Corporate segment did not present variations for the years presented.

Others. The operating results, net associated with our Other segment increased by Ps.11 million, going from a net gain of Ps.1 million during 2016 to Ps.12 million during fiscal year 2017, due to other expenses from Entertainment Holding S.A.

Operations Center in Israel

Real estate. During fiscal year 2017, the operating results, net of the Real Estate segment totaled a gain of Ps.46 million, compared to a loss of Ps.19 million in 2016 due to an impairment of some properties, plant and equipment.

Supermarkets During fiscal year 2017, the operating results, net of the Supermarkets segment represented a loss of Ps.52 million compared to a loss of Ps.13 million in 2016. This variation was due to (i) the comparability of the figures, (ii) a revaluation of 24% of the NIS against the Argentine peso, and (iii) an increase in the impairment of the supermarket stores.

Telecommunications During fiscal year 2017, the operating results, net of the Telecommunications segment, represented a loss of Ps.36 million, not resulting in 2016. This variation was due to the comparability of the figures.

Corporate. During fiscal year 2017, the operating results, net of the Corporate segment, represented a loss of Ps.48 million. This variation was due to the increase in donations.

Others. During fiscal year 2017, the operating results, net of the Other segment, represented a loss of Ps.106 million. This variation was due to (i) the comparability of the figures and (ii) an increase in research and development expenses as well as donations.

Profit from operations 2017 vs 2016

Profit from operations, pursuant to the income statement, decreased by 60.4%, from Ps.19,903 million during fiscal year 2016 to Ps.7,879 million during fiscal year 2017 (of which Ps.3,224 million are attributable to the Operations Center in Israel compensated with the effect of the deconsolidation of Shufersal for Ps.1,671 and Ps.6,326 million to the Operations Center in Argentina). Without considering the effect of the Operations Center in Israel, Profit from operations decreased by 67.8%. Profit from operations, as a percentage of revenues from sales, leases and services, declined from 54.1% during fiscal year 2016 to 29.2% during fiscal year 2017. Without considering the effect of the Operations Center in Israel, profit from operations, as a percentage of total revenues, decreased from 442.4% during fiscal year 2016 to 110.0% during fiscal year 2017.

The profit /(loss) from operations in the Operations Center in Israel are not comparable year to year due two main factors: (i) the results of operations for the fiscal year ended Junes 30, 2016 include only six months of operations from the Operations Center in Israel, from October 11, 2015 (the date control was acquired) through March 31, 2016 (adjusted by such material transactions occurred between April 1, 2016 and June 30, 2016) While the results of operations for the fiscal year ended June 30, 2017 include twelve months of operations from the Operations Center in Israel, from April1, 2016 through March 31, 2017 (adjusted by such material transactions occurred between April 1, 2017 and June 30, 2017) and (ii) fluctuations between the Israeli Shekel, the functional currency of the Operations Center Israel and the Argentine Peso, the Group´s reporting currency, i.e. the Israeli Shekel appreciated approximately 24% from 2016 to 2017.

For the Operation Center in Argentina, profit from operations from our joint ventures decreased by Ps.46.6%, from Ps.395 million during fiscal year 2016 (of which a profit of Ps.98 million is allocated to the Shopping Malls segment; a profit of Ps.248 million is allocated to the Offices and Others segment, and a profit of Ps.49 million is allocated to the Sales and Developments segment within the Operations Center in Argentina) to Ps.211 million during fiscal year 2017 (of which a profit of Ps.28 million is allocated to the Shopping Malls segment; a profit of Ps.184 million is allocated to the Offices and Others segment, and a loss of Ps.1 million is allocated to the Sales and Developments segment within the Operations Center in Argentina), mainly as a result of a decrease in net gain from fair value adjustment of investment properties.

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

Finally, profit from operations from inter-segment operations did not experience significant changes during the reported period.

Therefore, according to business segment reporting (taking into consideration the profit from operations from our joint ventures and without considering profit from operations related to expenses and collective promotion fund or inter-segment operations), profit from operations decreased by 52.9% from Ps.20,797 million during fiscal year 2016 to Ps.9,788 million during fiscal year 2017 (of which Ps.3,224 million are attributable to the Operations Center in Israel and Ps.6,564 million to the Operations Center in Argentina).Without considering the profit from operations from the Operations Center in Israel, profit from operations decreased by 67.3%. Profit from operations as a percentage of revenues, pursuant to business segment reporting, decreased from 68.5% during fiscal year 2016 to 13.5% during fiscal year 2017. Without considering the effect of the Operations Center in Israel, total profit from operations as a percentage of total revenues, pursuant to business segment reporting, declined from 610.4% during fiscal year 2016 to 152.3% during fiscal year 2017.

Operation Center in Argentina

Shopping Malls. Profit from operations in our Shopping Malls segment decreased by 76.2%, from Ps.17,904 million in income during fiscal year 2016 to Ps.4,258 million in income during fiscal year 2017. This change is mainly due to a Ps.14,064 million decrease in net gain from fair value adjustment of investment properties. Profit from operations associated to our Shopping Malls segment, as a percentage of this segment's revenues, decreased from 743.2% during fiscal year 2016 to 139.7% during fiscal year 2017.

Offices. Profit from operations in our Offices and Others segment rose by 12.1%, from Ps.1,460 million in income during fiscal year 2016 to Ps.1,636 million in income during fiscal year 2017. The main changes are attributable to higher income from partial disposals of investment properties during fiscal year 2017 and net loss from fair value adjustment of investment properties (Ps.50 million), partially offset by an increase in Selling Expenses of Ps.26 million.

Sales and Developments. Profit from operations in our Sales and Developments segment rose by 18.8%, up from income of Ps.680 million during fiscal year 2016 to income for Ps.808 million during fiscal year 2017. Such increase was mainly due to higher income from sales of the floors in the Beruti building and parking spaces in Rosario (Ps.91 million) and the net loss from fair value adjustment of investment properties (Ps.76 million).

Hotels. Profit from operations in the Hotels segment grew by Ps.7 million, up from a loss of Ps.1 million during fiscal year 2016 to Ps.6 million in income during fiscal year 2017. The rise in the average rate per room in our hotel portfolio (in Pesos), generated an increase in revenues, along with higher costs (Ps.125 million), general and administrative expenses (Ps.32 million) and selling expenses (Ps.25 million), among others.

International. Profit from operations in our International segment decreased by Ps.84 million from Ps.68 million in income during fiscal year 2016 to a Ps.16 million loss during fiscal year 2017. The main changes resulted from a decrease in Other income and expenses of Ps.117 million.

Corporate. Profit from operations in our Corporate segment increased 83.3%, going from a loss of Ps.72 million during the year 2016 to a loss of Ps.132 million during fiscal year 2017. Its main variations were due to the increase in General and administrative expenses.

Others. Profit from operations for our Others segment exhibited a decrees of Ps.34 million, from a Ps.38 million profit during fiscal year 2016 to a Ps.4 million profit during fiscal year 2017, mainly as a result of a Ps.41 million net loss from fair value adjustment of investment properties.

Operation Center in Israel

Real Estate. Profit from operations from the Real Estate segment increased from Ps.629 million during fiscal year 2016 to Ps.2,511 million during fiscal year 2017. Such variation was due to (i) the comparability of the figures, (ii) a 24% revaluation of the NIS against the Argentine peso, and (iii) to the occupancy of revenue-generating projects in Israel. Also the recording of revenues from the sale of apartments and real estate is affected by the timing of the occupation of apartments, which was higher in 2017 a reduction of costs and a profit related to the changes in fair value of investment properties.

Supermarkets. Profit from operations from the Supermarket segment rose from Ps.434 million during fiscal year 2016 to Ps.1,762 million during fiscal year 2017. Such variation was due to (i) the comparability of the figures, (ii) a 24% revaluation of the NIS against the Argentine peso, and (iii) the increase in franchisees, the increase in the share of the private brand, the improvement in trade terms, the components of the basket, the mix of sales, and the increased efficiency due to the implementation of the business plan.

Telecommunications. Profit from operations from the Telecommunications segment increased from a loss of Ps.71 million during fiscal year 2016 to a loss of Ps.253 million during fiscal year 2017. Such variation was due to (i) the comparability of the figures, (ii) a 24% revaluation of the NIS against the Argentine peso, and (iii) the continued erosion in income from services, which was partly offset by the decrease in operating expenses, due to the increased efficiency measures which were implemented by Cellcom.

Corporate. The profit from operations of the Corporate segment went from a loss of Ps.321 million during the fiscal year 2016 to a loss of Ps.432 million during the fiscal year 2017. This variation was due to (i) the comparability of the figures, (ii) a 24% revaluation of the NIS against the Argentine peso, and (iii) the decrease in legal fees.

Others. Profit from operations from the Others segment went from a gain of Ps.49 million during fiscal year 2016 to a loss of Ps.364 million during fiscal year 2017. Such variation was due to (i) the comparability of the figures, (ii) a 24% revaluation of the NIS against the Argentine peso, and (iii) the lack of income derived by the sale of some revenue generating assets.

Our share of profit / (loss) of associates and joint ventures 2017 vs 2016

Our share of profit / (loss) of associates and joint ventures, pursuant to the income statement, decreased by 78.5%, from a gain of Ps.508 million during fiscal year 2016 to a gain of Ps.109 million during fiscal year 2017 (of which a gain of Ps.80 million is attributable to the Operations Center in Argentina and a gain of Ps.105 million to the Operations Center in Israel compensated with the effect of the deconsolidation of Shufersal for Ps.76). Without considering the effect of the Operations Center in Israel, our share of loss of associates and joint ventures decreased by 79.2%, mainly as a result of higher losses derived from our International segment and a decrease in income from our Others segment.

Furthermore, our net share of profit / (loss) of joint ventures mainly from NPSF (Shopping Malls segment), Quality Invest S.A. (Offices segment), and Cyrsa S.A., Puerto Retiro S.A. and Baicom Networks S.A. (Sales and Developments segment) experienced a change of 32.6%, from a gain of Ps.258 million during fiscal year 2016 to a loss of Ps.174 million during fiscal year 2017, mostly due to the results of Quality S.A. and NPSF joint ventures.

Operation Center in Argentina

Shopping Malls. According to business segment reporting, the share of profit of the joint venture NPSF is presented on a line by line consolidated basis in this segment.

Offices. According to business segment reporting, the share of profit of the joint venture Quality Invest S.A. is presented on a line by line consolidated basis in this segment.

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

Hotels. Share of profit / (loss) of joint ventures associated to our Hotel segment did not experience significant changes during the reported periods.

International. Our share of loss of associates in this segment increased by 51.9%, from a loss of Ps.129 million during fiscal year 2016 to a loss of Ps.196 million during fiscal year 2017, mainly due to increased losses from our investment in New Lipstick LLC for Ps.76 million and the non-recurrence of losses by Ps.79 million from our investment in IDBD; partially offset by increased gains from Condor for Ps.88 million.

Others. The share of profit of our associates in the Others segment decreased by 64.9%, from Ps.251 million during fiscal year 2016 to Ps.88 million during fiscal year 2017, mainly due to: (i) lower gains from our investments in BHSA and BACS for Ps.174 and Ps.13 million, respectively, partially offset by: (ii) lower losses from our investment in Tarshop for Ps.24 million.

Operation Center in Israel

Real Estate. During fiscal year 2017, the share of profit of associates and joint ventures associated to the Real Estate segment totaled Ps.46 million comparing to Ps.226 during fiscal year 2016. Such variation was due to (i) the comparability of the figures, (ii) a 24% revaluation of the NIS against the Argentine peso, and (iii) a decrease of sales in PBEL.

Supermarkets. During fiscal year 2017, the share of profit of associates and joint ventures associated to the Supermarkets segment totaled Ps.75 million, comparing to a cero result from 2016. This is due to an improvement in the associates of Shufersal which were considered impaired in 2016.

Others. During fiscal year 2017, the share of loss of associates and joint ventures associated to the Others segment totaled Ps.16 million, showing a decrease in comparison with the loss of Ps.103 million in 2016, mainly due to the improvements of the investments of Elron.

Net financial results

The net financial loss decreased by Ps.730 million, from a loss of Ps.4,825 million during fiscal year 2016 to a loss of Ps.4,095 million during fiscal year 2017 (of which Ps.2,847 million are derived from the Operations Center in Israel and Ps.1,248 million are derived from the Operations Center in Argentina).

Income Tax

The Company applies the deferred tax method to calculate the income tax applicable to the fiscal periods under consideration, thus recognizing the temporary differences as tax assets and liabilities. The income tax expense for the year went from a Ps.6,325 million loss during fiscal year 2016 to a Ps.2,766 million loss during fiscal year 2017, of which a Ps.2,272 million loss was derived from the Operations Center in Argentina and a Ps.494 million loss was derived from the Operations Center in Israel.

Profit for the year

As a result of the factors described above, profit for the year, including the result of discontinued operations, went from Ps.10,078 million during fiscal year 2016 to Ps.5,220 million during fiscal year 2017, of which a profit of Ps.2,699 million is attributable to the Operations Center in Argentina and a profit of Ps.2,521 million is attributable to the Operations Center in Israel (of which a gain of Ps.1,704 corresponds to continuing operations and a loss of Ps.817 to discontinued operations).

Discontinued operations

The results of Israir Open Sky, IDB Tourism and Shufersal operations, the share of profit of Adama and the finance costs associated to the non-recourse loan, until its sale, and the results from sale of the investment in Adama have been reclassified in the Statements of Income under discontinued operations.

7. OUR INDEBTEDNESS

Operations Center in Argentina

The following table describes our total indebtedness as of June 30, 2018:

Description	Currency	Amount (1)	Interest Rate	Maturity
Bank overdrafts	ARS	22.8	Floating	< 360 days
IRSA 2020 Series II Non-Convertible Notes.	USD	71.4	11.50%	Jul-20
Series VII Non-Convertible Notes	ARS	13.3	Badlar + 299	Sep-19
Series VIII Non-Convertible Notes	USD	184.5	7.00%	Sep-19
Other debt	USD	44.1	-	Feb-22
IRSA's Total Debt		**336.2**		
IRSA's Cash + Cash Equivalents + Investments (2)	USD	0.9		
IRSA's Net Debt	**USD**	**335.3**		
Bank overdrafts	ARS	0.2	-	< 360 d
PAMSA loan	USD	35.0	Fixed	Feb-323
IRCP NCN Class IV	USD	140.0	5.0%	Sep-20
IRSA CP NCN Class II	USD	360.0	8.75%	Mar-23
IRSA CP's Total Debt		**535.2**		
Cash & Cash Equivalents + Investments (3		304.7		
Consolidated Net Debt		**230.5**		

(1) Principal amount in USD (million) at an exchange rate of Ps. 28.85 Ps./USD, without considering accrued interest or eliminations of balances with subsidiaries.
(2) "IRSA's Cash & Cash Equivalents plus Investments" includes IRSA's Cash & Cash Equivalents + IRSA's Investments in current and non-current financial assets.
(3) "IRSA CP's Cash & Cash Equivalents plus Investments" includes IRSA CP's Cash and cash equivalents + Investments in Current Financial Assets and our holding in TGLT's convertible Notes.

On February 16, 2018, Panamerican Mall SA, controlled 80% by IRSA Propiedades Comerciales SA and owner of Dot Baires Shopping, the Dot building and neighboring reserves in the Polo Dot commercial complex, took out a loan with a non-related banking entity, for the sum of USD 35.0 million at 5.2365% due 2023. The funds will be used mainly for the completion of the construction work of the Polo Dot 1º stage office building.

Operations Center in Israel

Financial debt as of March 31, 2018

Indebtedness(1)	Amount (USD million)
IDBD	966
DIC	973

(1) Net Debt as of March 31, 2018 according to the companies Solo Statutory Financial Statements.

On September 28, 2017 DIC offered the holders of NCN Series F to swap their notes for NCN Series J. NCN Series J terms and conditions differ substantially from those of Series F. Therefore, DIC recorded the payment of NCN Series F and recognized a new financial commitment at fair value for NCN Series J. Likewise, the previous debt (series F) was recorded from October 11, 2015 (date of consolidation of IDBD) to the market price at that date with a discount on par.As a result of the swap, DIC recorded a loss resulting from the difference between the NCN Series F cancellation value and the new debt value in the amount of approximately NIS 461 (equal to approximately Ps. 2,228 as of that date), which was accounted for under "Financial costs".

On November 28, 2017, IDBD made an early redemption of the Series L NCN for an amount of NIS 424 million (or Ps. 2,120 million as of the transaction date).

8. BOARD OF DIRECTORS AND MANAGEMENT

Board of Directors

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

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

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

Name	Date of Birth	Position in IRSA	Date of current appointment	Term expiration	Current position since
Eduardo S. Elsztain	01/26/1960	Chairman	2015	2018(1)	1991
Saúl Zang	12/30/1945	First Vice-Chairman	2015	2018(1)	1994
Alejandro G. Elsztain	03/31/1966	Second Vice-Chairman	2016	2019	2001
Fernando A. Elsztain	01/04/1961	Regular Director	2017	2020	1999
Carlos Ricardo Esteves	05/25/1949	Regular Director	2017	2020	2005
Cedric D. Bridger	11/09/1935	Regular Director	2015	2018(1)	2003
Marcos Fischman	04/09/1960	Regular Director	2015	2018(1)	2003
Fernando Rubín	06/20/1966	Regular Director	2016	2019	2004
Gary S. Gladstein	07/07/1944	Regular Director	2016	2019	2004
Mario Blejer	06/11/1948	Regular Director	2017	2020	2005
Mauricio Wior	10/23/1956	Regular Director	2015	2018(1)	2006
Gabriel A. G. Reznik	11/18/1958	Regular Director	2017	2020	2008
Ricardo H. Liberman	12/18/1959	Regular Director	2017	2020	2008
Daniel Ricardo Elsztain	12/22/1972	Regular Director	2017	2020	2007
Gastón Armando Lernoud	06/04/1968	Alternate Director	2017	2020)	2014
Enrique Antonini	03/16/1950	Alternate Director	2016	2019	2007

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

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

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

Eduardo Sergio Elsztain. Mr. Elsztain has been engaged in the real estate business for more than twenty-five years. He is the chairman of the board of Directors of CRESUD, IRSA Propiedades Comerciales, IDB Development Corporation Ltd, Discount Investment Corporation Ltd., Banco Hipotecario S.A., BrasilAgro Companhia Brasileira de Propiedades Agrícolas, Austral Gold Ltd., Consultores Assets Management S.A., among other companies. He also Chairs IRSA Foundation, is a member of the World Economic Forum, the Council of the Americas, the Group of 50 and the Argentine Business Association (AEA), among others. He is co-founder of Endeavor Argentina and serves as VicePresident of the World Jewish Congress. Mr. Eduardo Sergio Elsztain is Fernando Adrián Elsztain's cousin and Alejandro Gustavo Elsztain's and Daniel Ricardo Elsztain's brother.

Saúl Zang. Mr. Zang obtained a law degree from the University of Buenos Aires. He is a member of the International Bar Association and of the Interamerican Federation of Lawyers. He was a founding partner of Zang, Bergel & Viñes Law Firm. Mr. Zang is Vice-chairman of CRESUD, IRSA CP, Consultores Assets Management S.A. and other companies like Fibesa S.A. and Chairman at Puerto Retiro S.A. He is also director of IDB Development Corporation Ltd., Discount Investment Corporation Ltd., Banco Hipotecario S.A., BrasilAgro Companhia Brasileira de Propiedades Agrícolas, BACS Banco de Crédito & Securitización S.A., Tarshop S.A., Nuevas Fronteras S.A., and Palermo Invest S.A., among other companies.

Alejandro Gustavo Elsztain. Mr. Elsztain obtained a degree in agricultural engineering from University of Buenos Aires. He is currently Second Vice-chairman of CRESUD, Executive Vice-chairman of IRSA, Chairman at Fibesa S.A. and Vice-chairman at Nuevas Fronteras S.A. and Hoteles Argentinos S.A. In addition, he is Chairman of the israelí companies Gav Yam and Mehadrin and Vice-Chairman of Property & Building Corporation Ltd. He is also a regular Director at IDB Development Corporation Ltd., BrasilAgro Companhia Brasileira de Propiedades Agrícolas, Emprendimiento Recoleta S.A., among other companies. He is also Chairman of Hillel Foundation Argentina. Mr. Alejandro Gustavo Elsztain is brother of our Chairman, Eduardo Sergio Elsztain and of Daniel Ricardo Elsztain. He is also Fernando Adrián Elsztain's cousin.

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

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

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

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

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

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

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

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

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

Daniel Ricardo Elsztain. Mr. Elsztain obtained a degree in economic sciences at Torcuato Di Tella University and has a Master's degree in Business Administration from Austral University IAE. He has been the Company Chief Operating Officer since 2011. He previously held the position of Commercial and Marketing Manager and has been in charge of the real estate investments in New York between 2008 and 2001. He is also Chairman of Entertainment Holdings S.A., Entretenimiento Universal S.A., Boulevard Norte S.A. and Ogden Argentina S.A., as well as director of IRSA, Condor Hospitality Trust, among other companies. Mr. Elsztain is Mr. Eduardo Sergio Elsztain's and Mr. Alejandro Gustavo Elsztain's brother and Fernando Adrian Elsztain's cousin.

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

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

Employment Contracts with our Directors

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

Executive Committee

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

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

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

Senior Management

Appointment of Senior Management

Our Board of Directors appoints and removes senior management.

Senior Management Information

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

Name	Date of birth	Position	Current position held since
Eduardo S. Elsztain	26/01/1960	Chief Executive Officer	1991
Daniel Ricardo Elsztain	12/22/1972	Chief Real Estate Operating Officer	2012
Matías Gaivironsky	02/23/1976	Chief Financial and Administrative Officer	2011
Arnaldo Jawerbaum	08/13/1966	Chief Investment Officer	2017

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

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

Arnaldo Jawerbaum. Arnaldo Jawerbaum obtained a degree as an Arquitect from the University of Belgrano. With more than 20 years at the Company, he has worked as Commercial Manager between 1997 and 2002, Marketing Manager in Fibesa between 2003 and 2017. Since November 2017 he holds the position of Chief Investment Officer.

Supervisory Committee

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

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

Name	Date of birth	Position	Current office held since
José Daniel Abelovich	07/20/1956	Regular member	1992
Marcelo Héctor Fuxman	11/30/1955	Regular member	1992
Noemí Ivonne Cohn	05/20/1959	Regular member	2010
Gasón Gabriel Lizitza	06/09/1972	Alternate member	2017
Roberto Daniel Murmis	04/07/1959	Alternate member	2005
Alicia Graciela Rigueira	12/02/1951	Alternate member	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. Formerly, he had been a manager of Harteneck, López y Cía/Coopers & Lybrand and has served as a senior advisor in Argentina for the United Nations and the World Bank. He is a member of the Supervisory Committees of CRESUD, IRSA CP, Hoteles Argentinos S.A., Inversora Bolívar and Banco Hipotecario, among others.

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. He is also a member of the supervisory committee of CRESUD, IRSA CP, Inversora Bolívar and Banco Hipotecario S.A., among others.

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

Gastón Gabriel Lizitza. Mr. Lizitza obtained a degree in accounting at the University of Buenos Aires. He is a partner at Abelovich, Polano & Asociados S.R.L; an accounting firm in Argentina, member of Nexia International. He is also a member of the Supervisory Committee of BACSAA, Cresud SACIF and A, Futuros y Opciones.Com SA and IRSA Inversiones y Representaciones Sociedad Anónima.

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

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

Compliance Management

The company has a Compliance model that manages the risks to which it is exposed. The model used to fulfill this function articulates five areas under the same management that together offer the security framework according to the risk profile of the society. Below is a description of the main functions of each of them:

1. Corporate Governance

Like any Public Company, to protect the interests of our shareholders, it must be ensured that the model of design, integration and operation of the governing bodies of the company allow it to consolidate in the market due to its transparency

The purpose of the Corporate Governance Management is to evaluate and consolidate the appropriate management and control structures, to set up the necessary committees to make decisions and to comply with the laws and regulations to which the Company is subject. In the adopted model of Corporate Governance, the following principles are pursued:

- Protection and fair treatment of all shareholders.
- Transparency in transactions and adequate exposure of the relevant facts of the Company
- Appropriate treatment of third parties involved: suppliers, customers and employees.
- Adequate supervision of the management team by the Board.

As a demonstration of the foregoing, we refer Exhibit I of this Annual Report, which includes the Report on the degree of compliance with the Corporate Governance Code, in accordance with the provisions of the CNV regulations

2. Process Quality

The company documents its policies and procedures, that previously develops and validates with the management team. As a whole, referrals constitute the documentary model that is communicated to all employees, managing to conserve and transmit knowledge as well as assessing its effective compliance and laying the foundations for its continuous improvement.

3. Internal Control

The Internal Control Management is responsible for identifying the operational, regulatory and reputational risks of the processes; document them, assign them a value (level of risk) and establish the necessary controls to mitigate them, in conjunction with the area that owns the process.

<u>Integral Framework of Internal Control</u>

Management uses the Integrated Internal Control Framework issued by the *Committee of Sponsoring Organizations of the Treadway Commission* ("COSO Report 2013") for the evaluation of the effectiveness of internal controls over financial information.

The COSO Report establishes that internal control is a process carried out by the Board of Directors, the management and the rest of the personnel, designed to provide a reasonable degree of security in terms of achieving the objectives of the entity, which are classified in the following categories:

- Effectiveness and efficiency of operations
- Reliability of the financial information, and
- compliance with laws and regulations that are applicable.

4. Security of the information

For information security, we understand the process by which the Company protects information and data in terms of confidentiality, integrity and availability.

The area of Information Security has the vision of offering best security practices with the aim of providing the adequate mechanisms for the protection of its computer assets and information systems; and minimize the risks to which the Organization is exposed by achieving an environment of protection.

The pillars are:

- Security (Confidentiality of sensitive information).
- Continuity (Availability of systems and information).
- Data (Integrity of information).

Based on these, a Strategic Information Security Plan has been designed with a focus on strengthening, aligning and adding value to maximize the level of the security framework applied, based on international standards.

5. Internal Audit

The role is to perform objective and independent evaluations to determine that internal controls are present and functioning properly. These reviews, which take place periodically, may vary in scope and frequency depending on the risk assessment, aligned with the business objectives and the priorities of the interested parties.

<u>The area performs the following tasks:</u>

Process Audits (end-to-end review): are reviews in general of the processes that support a business, verifying that the operational areas have internal controls and procedures to mitigate the risks under their responsibility.

Punctual Checks: These are verifications of a particular activity to verify that the operational areas comply with the key controls. It emphasizes controls over the reliability of accounting information for investors and shareholders.

Project Consultancies: they are collaborative projects in the areas of the process owner to provide ideas to solve complex problems or mitigate the appearance of new risks.

Audit Committee

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

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

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

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

<u>Aspects related to the decision-making processes and internal control system of the company</u>

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

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

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

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

Compensation

Board of Directors

Under the Argentine Corporations Law, if the compensation of the members of the Board of Directors and the Supervisory Committee is not established in the by-laws of the Company, it should be determined by the shareholders' meeting. The maximum amount of total compensation to the members of the Board of Directors and the Supervisory Committee, including compensation for technical or administrative permanent activities, cannot exceed 25% of the earnings of the company. That amount should be limited to 5% when there is no distribution of dividends to shareholders and will be increased in proportion to the distribution up to such limit if all earnings are distributed. For purposes of applying this provision, the reduction in the distribution of dividends derived from reducing the Board of Directors' and Supervisory Committee's fees will not be considered.

When one or more Directors perform special commissions or technical or administrative activities, and there are no earnings to distribute, or they are reduced, the shareholders meeting may approve compensation in excess of the above mentioned limits. The compensation of our Directors for each fiscal year is determined pursuant to the Argentine Corporations Law and taking into consideration whether the Directors performed technical or administrative activities and our fiscal year's results. Once the amounts are determined, they are considered at the shareholders' meeting.

Senior Management

We pay our senior management pursuant to a fixed amount, established by taking into consideration their background, capacity and experience and an annual bonus which varies according to their individual performance and the Company's overall results.

The total aggregate compensation paid to our Senior Management (including Directors) for the fiscal year ended June 30, 2018 was Ps. 11,955,572.

Supervisory Committee

The shareholders meeting held on October 31, 2017, approved by majority vote the payment of fees to the Supervisory Committee for the duties performed during the fiscal year ended June 30, 2017 for an aggregate amount of Ps. 600,000.

Audit Committee

The members of our Audit Committee do not receive compensation in addition to that received for their service as members of our Board of Directors.

Compensation Plan for Executive Management

Since 2006 we develop a special compensation plan for key Managers by means of contributions made by the employees and by the Company.

Such Plan is directed to key Managers selected by us and aims to retain them by increasing their total compensation package through an extraordinary reward, granted to those who have met certain conditions.

Participation and contributions under the Plan are voluntary. Once the invitation to participate has been accepted by the employee, he or she may make two kinds of contributions: monthly contributions (salary based) and extraordinary contribution (annual bonus based). The suggested contribution to be made by Participants is: up to 2.5% of their monthly salary and up to 15% of their annual bonus. Our contribution will be 200% of the employees' monthly contributions and 300% of the extraordinary employees' contributions.

The funds collected as a result of the Participants' contributions are transferred to a special independent vehicle created in Argentina as an Investment Fund approved by the CNV.

The funds collected as a result of our contributions are transferred to another independent vehicle separate from the previous one. In the future, participants will have access to 100% of the benefits of the Plan (that is, including our contributions made on the participants' behalf to the specially created vehicle) under the following circumstances:

- ordinary retirement in accordance with applicable labor regulations;
- total or permanent incapacity or disability; and
- death.

In case of resignation or termination without cause, the Participant may redeem amounts contributed by us only if he or she has participated in the Plan for at least 5 years' subject to certain conditions.

Long Term Incentive Program

The Shareholders' Meetings held on October 31, 2011, October 31, 2012 and October 31, 2013 ratified the resolutions approved thereat as regards the incentive plan for the Company's executive officers, up to 1% of its shareholders' equity by allocating the same number of own treasury stock (the "Plan"), and delegated on the Board of Directors the broadest powers to fix the price, term, form, modality, opportunity and other conditions to implement such plan. In this sense and in accordance with the new Capital Markets Law, the Company has made the relevant filing with the CNV and pursuant to the comments received from such entity, it has made the relevant amendments to the Plan which, after the CNV had stated to have no further comments, were explained and approved at the Shareholders' Meeting held on November 14, 2014, where the broadest powers were also delegated to the Board of Directors to implement such plan.

The Company has developed a medium and long term incentive and retention stock program for its management team and key employees under which share-based contributions were calculated based on the annual bonus for the years 2011, 2012, 2013 and 2014.

The beneficiaries under the Plan are invited to participate by the Board of Directors and their decision to access the Plan is voluntary.

In the future, the Participants or their successors in interest will have access to 100% of the benefit (IRSA's shares contributed by the Company) in the following cases:

- if an employee resigns or is dismissed for no cause, he or she will be entitled to the benefit only if 5 years have elapsed from the moment of each contribution;
- retirement;
- total or permanent disability;
- death.

While participants are part of the program and until the conditions mentioned above are met to receive the shares corresponding to the contributions based on the 2011 to 2013 bonus, participants will receive the economic rights corresponding to the shares assigned to them.

As regards the year 2014, the program sets forth an extraordinary reward consisting of freely available stock payable in a single opportunity on a date to be determined by the Company. The date was fixed for June 26, 2015 for payroll employees of IRSA, IRSA CP, PAMSA, ERSA, ARCOS and FIBESA who received IRSA's shares.

Besides, the Company has decided to grant a bonus to all the personnel with more than two years of seniority and who do not participate in the program described above, which bonus consists of a number of shares equivalent to their compensation for June 2014.

The shares allocated to the Plan by the Company are shares purchased in 2009, which the Shareholders' Meeting held on October 31, 2011 has specifically decided to allocate to the program.

Code of Ethics

The Code of Ethics is effective as from July 31, 2005 with the aim of providing a wide range of guidelines as concerns accepted individual and corporate behavior. It is applicable to Directors, Managers and employees of IRSA and its controlled companies. The Code of Ethics that governs our business, in compliance with the laws of the countries where we operate, may be found on our website www.irsa.com.ar.

A committee of ethics composed of Managers and board members is responsible for providing solutions to issues related to the Code of Ethics and is in charge of taking disciplinary measures in case of breach of the code.

Employees

Operations Center in Argentina

As of June 30, 2018, we had 1,771 employees. Our Development and Sale of Properties and Other Non-Shopping Mall Businesses segment had 31 employees, 4 of whom were represented by the Commerce Union (*Sindicato de Empleados de Comercio, SEC*) and 10 were represented by the Horizontal Property Union (*Sindicato Único de Trabajadores de Edificios de Renta y Horizontal, SUTERH*). Our Shopping Malls segment had 928 employees, including 434 under collective labor agreements. Our Hotels segment had 812 employees, with 662 represented by the Tourism, Hotel and Gastronomic Workers Union (*Unión de Trabajadores del Turismo, Hoteleros y Gastronómicos de la República Argentina, UTHGRA*).

	Year ended on June 30,		
	2016	2017	2018
Development and Sale of Properties and Other Non-Shopping Mall Businesses [1]	31	31	31
Shopping Malls and Offices[3]	964	947	928
Hotels[2]	758	790	812
Total	**1,753**	**1,768**	**1,771**

(1) Includes IRSA, Consorcio Libertador S.A. and Consorcio Maipú 1300 S.A.
(2) Includes Hotel Intercontinental, Sheraton Libertador and Llao Llao.
(3) In April and May 2015, the employees assigned to IRSA, who discharge duties in connection with building's operations and the Real Estate business were transferred to IRSA Propiedades Comerciales S.A.

Operations Center in Israel

The following table shows the number of employees as of June 30, 2018 of our operations center in Israel divided by company:

IDB	1
DIC	39
Shufersal[1]	15,155
Cellcom	3,988
Elron	13
Epilson	50
IDB Tourism	697
Modiin	1
PCB [2]	614

(1) Includes employees from Gidron and New-Pharm
(2) Includes employees from Gev-Yam, Ispro, Nave, Hon and Mehadron

9. CORPORATE SERVICE AGREEMENT ENTERED INTO WITH CRESUD AND IRSA CP

Considering that each of IRSA CP, Cresud and us have operations that overlap to a certain extent, our board of directors deemed it advisable to implement alternatives designed to reduce certain fixed costs of our combined activities and to mitigate their impact on our operating results while seizing and optimizing the individual efficiencies of each of them in the different areas comprising the management of operations.

To such end, on June 30, 2004, a Master Agreement for the Exchange of Corporate Services, or the "Framework Agreement," was entered into between IRSA CP, Cresud and us, which was amended several times to bring it in line with evolving operating requirements. The goal of the amendment is to increase efficiency in the distribution of corporate resources and reduce operating costs. The agreement had an initial term of 24 months and is renewable automatically for equal periods, unless it is terminated by any of the parties upon prior notice.

The Framework Agreement currently provides for the exchange and sharing of services among the following areas: Corporate Human Resources, Administration and Finance, Planning, Institutional Relations, Compliance, Shared Service Center, Security, Attorneys, Corporate Legal, Corporate Environment and Quality, General Management to Distribute, Security of Directory, Real Estate Business Administration, Real Estate Business Human Resources, Technique, Infrastructure and Services, Purchase and Contracting, Administrations and Authorizations, Investments, Governmental Affairs, Hotels, Fraud Prevention, Bolivar, Directory to Distribute and Real Estate Directory to Distribute.

Pursuant to the Framework Agreement, we, IRSA CP and Cresud hired Deloitte & Co., an external consulting firm, to review and evaluate periodically the criteria used in the process of liquidating the corporate services, as well as the basis for distribution and source documentation used in the process indicated above, by means of a half-yearly report.

The operations indicated above allow both IRSA CP and Cresud to keep our strategic and commercial decisions fully independent and confidential, with cost and profit apportionment allocated on the basis of operating efficiency and equity, without pursuing individual economic benefits for any of the related companies.

10. MARKET INFORMATION

New York Stock Exchange (NYSE) & Bolsas y Mercados Argentinos (ByMA)

Our Global Depositary Shares (GDSs), representing 10 common shares each, are listed on the NYSE under the trading symbol "IRS". Our GDSs started to be listed on the New York Stock Exchange on December 20, 1994 and they were issued by the Bank of New York, Inc., acting as depositary. However, it should not be assumed that our GDSs will be listed at a multiple 10 times higher than the price per common share. Our common shares are listed on the ByMA under the trading symbol "IRSA". Our common shares started to be traded on the ByMA in 1948.

The table below shows the high and low closing prices and of our common shares in the ByMA and of our GDSs in the New York Stock Exchange for the indicated periods:

	ByMA			NYSE		
	Share Volume	Ps. per Share High	Ps. per Share Low	GDS Volume	US$ per GDS High	US$ per GDS Low
Fiscal Year 2016						
1st Quarter	2,217,315	24.50	18.50	3,058,409	18.54	13.92
2nd Quarter	1,944,661	25.50	16.70	8,991,424	18.15	12.01
3rd Quarter	3,195,317	21.90	11.60	6,577,472	14.96	8.60
4th Quarter	2,075,033	25.10	19.10	4,803,840	16.81	14.03
Annual	9,432,326	25.50	11.60	23,431,145	18.54	8.60
Fiscal Year 2017						
1st Quarter	4,880,744	29.80	24.00	4,387,317	19.49	16.58
2nd Quarter	5,132,615	31.00	25.85	4,931,113	20.14	17.06
3rd Quarter	3,791,351	38.90	29.35	3,124,159	24.87	19.00
4th Quarter	2,915,572	40.80	37.00	2,538,946	26.15	23.35
Annual	16,720,282	40.80	24.00	14,981,535	26.15	16.58
Fiscal Year 2018						
1st Quarter	4,087,847	44.00	38.05	2,988,161	25.50	22.00
2nd Quarter	8,226,277	54.90	42.50	4,464,818	31.77	24.25
3rd Quarter	7,147,640	60.75	46.70	6,140,144	32.17	23.00
4th Quarter	5,134,886	53.25	46.40	5,027,349	25.69	16.81
Annual	24,596,650	60.75	38.05	18,620,472	32.17	16.81

Source: Bloomberg.

Dividends and Dividend Policy

Pursuant to Argentine law, the distribution and payment of dividends to shareholders is allowed only if they result from realized and net profits of the company pursuant to annual financial statements approved by our shareholders. The approval, amount and payment of dividends are subject to the approval by our shareholders at our annual ordinary shareholders' meeting. The approval of dividends requires the affirmative vote of a majority of the shares entitled to vote at the meeting.

In accordance with Argentine corporate laws and our by-laws, net and realized profits for each fiscal year are required to be allocated as follows:

- 5% to our legal reserve, up to 20% of our capital stock;
- a certain amount determined at a shareholders' meeting is allocated to compensation of our Directors and the members of our Supervisory Committee;
- to an optional reserve, a contingency reserve, a new account or for whatever other purpose our shareholders may determine.

According to rules issued by *Comisión Nacional de Valores*, cash dividends must be paid to shareholders within 30 days of the resolution approving their distribution. In the case of stock dividends, the shares must be delivered to shareholders within three months of the annual ordinary shareholders' meeting that approved them.

On February 2, 2007 we issued our 2017 fixed-rate notes for a total amount of USD 150 million at an annual interest rate of 8.5% payable semi-annually and due on February 2, 2017. These notes limit our ability to pay dividends, which may not exceed the sum of:

- 50% of our cumulative consolidated net income; or
- 75% of our cumulative consolidated net income if the consolidated interest coverage ratio is at least 3.0 to 1; or
- 100% of our cumulative consolidated net income if the consolidated interest coverage ratio is at least 4.0 to 1.
- 100% of the aggregate net cash proceeds (with certain exceptions) and the fair market value of property other than cash received by the Company or by its restricted subsidiaries from (a) any contribution to the Company's capital stock or the capital stock of its restricted subsidiaries or issuance and sale of the Company's qualified capital stock or the qualified capital stock of its restricted subsidiaries subsequent to the issue of the Company's notes due 2017, or (b) issuance and sale subsequent to the issuance of the Company's notes due 2017 or its indebtedness or the indebtedness of its restricted subsidiaries that has been converted into or exchanged for qualified capital stock of the Company, (c) any kind of reduction in the Company's indebtedness or the indebtedness of any of its restricted subsidiaries; or (d) any kind of reduction in investments in debt certificates (other than permitted investments) and in the return on assets; or (e) any distribution received from an unrestricted subsidiary.

The table below presents the dividend payment ratio to the total amount of paid dividends, each paid entirely in common shares, for the mentioned years. Figures in Pesos are stated in historical Pesos as of their respective payment date.

Year declared	Cash dividends (Millions of Ps.)	Dividends per share[(1)] (Ps.)
2009	31.7	0.055
2010	120.0	0.207
2011	311.6	0.539
2012	99.0	0.171
2013	180.0	0.311
2014	306.6	0.532
2015	56.6	0.9869
2016	-	-
2017	-	-
2018	1,400.0	24.3365

(1) Corresponds to payments per share.

The table below presents the dividend payment ratio to the total amount of dividends paid for by our subsidiary IRSA Propiedades Comerciales S.A., from which we collect dividends in our capacity as shareholders, each fully paid, for the years indicated in the table below.

<u>Dividends paid by our subsidiary IRSA Propiedades Comerciales S.A.</u>

Year declared	Cash dividends (Millions of Ps.)	Dividends per share[(1)] (Ps.)
2009	60,237,864	0.0770
2010	56,000,000	0.0716
2011	243,824,500	0.1936
2012	294,054,600	0.2334
2013	306,500,000	0.2432
2014	407,522,074	0.3234
2015	437,193,000	0.3469
2016	283,580,353	0.2250
2017	770,000,000	6.1000[(2)]
2018	680,000,000	5.3962

(1) Corresponds to payments per share.
(2) During FY17, IRCP's shares' face value was changed from Ps. 0.1 to Ps. 1 per share.

11. PROSPECTS FOR THE NEXT FISCAL YEAR

Our businesses in the operations center in Argentina and Israel have posted sound results for fiscal year 2018. We believe that the diversification of our business, with real estate assets in Argentina and abroad, favorably positions us to face all the challenges and opportunities that may arise in the coming years.

As concerns our operations center in Argentina, our subsidiary IRSA Propiedades Comerciales S.A. continues to consolidate itself as the leading commercial real estate company in Argentina, as its main shopping mall and office businesses recorded positive growth levels this year. The exchange rate volatility of the last quarter of this fiscal year has modified the growth projection of economic activity for the year 2019 downwards, and in this context, it is a challenge to be able to maintain the level of consumption in our shopping malls.

Regarding investments, during the next fiscal year, we plan to incorporate approximately 17,000 sqm of the expansion works in progress of some of our shopping malls. Also, we will put into operation the office building "Polo Dot", of 32,000 sqm of GLA, located in the commercial complex adjacent to our shopping Dot Baires, which is already leased in its entirety to high-level tenants as the e-commerce company "Mercado Libre" and the retailer "Falabella". Additionally, we will advance in the development of 35,468 sqm of GLA of the "Catalinas" building located in one of the most premium areas for the development of offices in Argentina.

In addition to the projects in progress, the company has a large reserve of land for future mixed-use developments in Argentina in a context of a high potential industry. We hope to have the economic, financial and governmental conditions to be able to execute our growth plan.

As concerns our investments outside Argentina, we have successfully refinanced the debt of the "Lipstick" building to 2020 at a very competitive interest rate and our main challenge in 2019 will be to optimize its capital structure.

With regard to the investment in the Israeli company IDBD, we are very satisfied with the results obtained during the fiscal year 2018. We will continue working in 2019 to continue reducing the company's debt levels, sell the non-strategic assets of the portfolio and improve margins at each of the operating subsidiaries. Likewise, we will work on the fulfillment of the 2nd stage of Concentration Law, which requires eliminating one more level of public company before December 2019.

Taking into account the quality of the real estate assets in our portfolio, the Company’s financial position and low indebtedness level and its franchise for accessing the capital markets, we remain confident that we will continue consolidating the best real estate portfolio in Argentina and Israel. Moreover, in line with our continuous pursuit of business opportunities and having in mind the general and specific conditions of the national and international markets, we keep evaluating different actions to optimize our capital structure.

Signed for identification purposes with our report dated
September 5, 2018

By: Supervisory Committee

José Daniel Abelovich
Regular Statutory Auditor

Eduardo S. Elsztain
Chairman

EXHIBIT I

IRSA INVERSIONES Y REPRESENTACIONES SOCIEDAD ANÓNIMA'S CORPORATE GOVERNANCE CODE

Working progress on compliance with the Corporate Governance Code – Fiscal Year 2018

	Compliance		Non-compliance(1)	Report(2) or Explain(3)
	Total(1)	Partial(1)		
PRINCIPLE I. THE RELATIONSHIP AMONGST THE ISSUER, THE CONGLOMERATE THAT IT HEADS AND/OR IS PART OF AND ITS RELATED PARTIES MUST BE TRANSPARENT				
Recommendation I.1: Guarantee that the Board discloses the policies that apply to the relationship amongst the Issuer and the conglomerate that it heads and/or is part of and its related parties. Answer if: The Issuer has internal procedures or policies to authorize transactions with related parties in accordance with Section 72 of Law No. 26,831, transactions with shareholders and Board members, senior management, and Statutory Auditors and/or members of the supervisory committee within the purview of the conglomerate that it heads and/or is a part of. Explain the main guidelines of the standard or internal policy.	X			The Company engages in transactions between related parties in accordance with Section 72 of Law No. 26,831 and International Accounting Standards, reporting them in its annual and quarterly Financial Statements as required by accounting standards. Pursuant to Section 72, before a transaction between related parties is conducted for a material amount, which is understood to be an amount equal to or higher than 1% of the Company's equity, the Board of Directors, prior to its approval, shall request a pronouncement from the Audit Committee stating whether the operating conditions can reasonably be considered to be in line with normal and regular market conditions.
Recommendation I.2: Make sure that the company has mechanisms to prevent conflicts of interest. Answer if: The Issuer has, irrespective of currently applicable rules and regulations, clear and specific policies and procedures to identify, handle and resolve any conflicts of interest arising amongst the members of the Board of Directors, senior management and Statutory Auditors and/or supervisory committee members in their relationship with the Issuer or with the Issuer's related persons. Describe the relevant aspects of such policies and procedures.	X			The Company has a Code of Ethics that has been signed by each one of the Company's members and applies to Directors, Statutory Auditors and employees. The Company also has an Ethics Committee which is responsible for resolving any issues related to that code. The Code of Ethics lays down ethical principles and guidelines about accepted individual and/or corporate behavior. Amongst other matters, this code includes guidelines concerning conflicts of interest. The Code prescribes that Directors, Managers and employees must act with honesty and integrity and must prevent their behaviors from causing conflicts of interest with the Company and if these were to arise, the Ethics Committee shall be provided in due time and manner with any information that could be inconsistent with the provisions contained in the Code of Ethics. The Company has a Map of Related Parties that identifies the companies with which the Issuer is in a controlling and/or significant influence situation. This Map is updated every three months. Managers, Directors and Statutory Auditors sign a form every year concerning Intercompany transactions.
Recommendation I.3: Prevent the undue use of inside information. Answer if: The Issuer relies, without prejudice to currently applicable rules and regulations, on accessible policies and mechanisms to prevent the undue use of inside information by the Board of Directors, senior management, Statutory Auditors and/or supervisory committee members, controlling shareholders or shareholders wielding significant influence, participating	X			As indicated in I.2, the Company has a Code of Ethics that lays down the guidelines and mechanisms to prevent the undue use of inside information. This Code mandates that certain information is in a confidential nature and that it can only be used for its intended purposes for the Company's benefit and must not be shared with persons outside the Company or with employees who do not need such confidential information to discharge their duties. The Code sets forth also that unintended disclosures of confidential information must be avoided. The Code of Ethics also contains guidelines concerning compliance with the rules that govern

professionals and the rest of the persons listed in Sections 7 and 33 of Executive Order 677/2001. Describe the relevant aspects of such policies and procedures.				relevant information. As a general principle, the Code prohibits Directors, Managers and employees from using inside or confidential information, directly or through third parties, to trade securities in the market. It also provides for a fixed period –before and after the publication of financial statements- during which employees, Directors and Statutory Auditors are prohibited from trading Company securities. The transmission of alerts about the commencement of the period of non-availability to conduct transactions works also as a reminder. Such temporary restrictions may be equally imposed whenever the Board sees it fit. There are also information security procedures for safeguarding the Company's data.
PRINCIPLE II. LAY THE GROUNDWORK FOR THE ISSUER TO RELY ON ROBUST MANAGEMENT AND SUPERVISION				
The corporate governance framework must: Recommendation II. 1: Ensure that the Board of Directors manages and supervises the Issuer and provides it with strategic direction.				
II.1.1 Report if the Board of Directors approves:				
II.1.1.1 the Business Plan or the Company's strategic plan, as well as its annual management goals and budgets.	X			An essential portion of the duties and responsibilities discharged by the Executive Committee consists in generating a strategic plan for the Company and the forecasts covered by the annual budget submitted to the Board. It is through the Executive Committee that objectives and strategies are submitted and developed, which includes establishing the annual guidelines defined for the main company departments. As part of the strategic plan defined by the Executive Committee, the Company's Board of Directors approves the main specific tasks aimed at fulfilling such plan.
II.1.1.2 the investment policy (in financial assets and in capital expenditures), and its financing policy.		X		As part of the defined business strategy and within the context of the current fiscal year, the Board of Directors approves investments and medium- and long-term financing plans (corporate bonds –Negotiable Obligations-, syndicated loans, etc.). In addition, the Company has a Financial Risk Committee that analyzes and suggests financial instruments, counterparties and investment limits.
II.1.1.3 the corporate governance policy (compliance with the Corporate Governance Code),	X			As regards corporate governance, the Company has implemented what is laid down by the rules and regulations currently applicable to these matters issued by the Argentine Securities Commission (CNV) and the Securities and Exchange Commission (SEC) and self-regulated markets where its shares are listed, in addition to what is suggested by the best practices in connection with ethics and Board behavior. To this end, the Board has implemented a Code of Ethics that provides for the different channels available for placement of reports in the event of potential irregularities, which offer direct accesses, managed by the Ethics Committee and the Audit Committee, the latter in compliance with foreign legislation (SOX). There is also the Corporate Governance Code Report, approved every year by the Board of Directors, together with the Annual Report and the Rules of the Audit Committee registered with the Superintendence of Corporations (IGJ).
II.1.1.4 the policy to select, assess and remunerate senior management,	X			The Board of Directors delegates to the Executive Committee the day-to-day management of business. Therefore, it is entitled to appoint an Executive Vice-chairman, Executive Directors and/or analogous functional levels, determine the scope of their functions, appoint Managers, including the CEO and sub-Managers and determine their remuneration levels. In addition, the Executive Committee instructs the CEO, jointly with the Human Resources Department to determine the remuneration payable to senior Managers. The Company has implemented, in accordance with the provisions of its Human Resources policies, a

				method for annually assessing performance and achievement of previously established targets, that is shared by and common to the entire organization, including its senior management, which is implemented in coordination with the Human Resources Department.
II.1.1.5 the policy to assign responsibilities to senior management,	X			In accordance with the Human Resources policy, the allocation of responsibilities of senior Managers is vested in the CEO jointly with the Human Resources Department.
II.1.1.6 the supervision of succession planning for senior management,	X			The CEO and the Human Resources Department are responsible for supervising succession planning at the management level. In order to identify replacement management levels and teams, the organization assesses prospective successors to those Senior Management levels through a method focused on measuring individual potential.
II.1.1.7 the enterprise social responsibility policy,	X			The Executive Committee is responsible for receiving, evaluating and approving the initiatives that the Corporate Social Responsibility (CSR) receives from the Institutional Relations Management that brings together the different proposals. The pillars on which the Company's CRS actions are based include education, childhood and environmental care, made possible by working jointly with small- and medium-sized organizations, establishing long-term bonds with them, adding players in the value chain and cooperating with the various players in the communities where the Company operates, whether in terms of geographic area of influence or positioning. The Company has been carrying out ongoing activities in this field for many years by: • Integrating and educating children and youths in the communities surrounding its agribusiness ventures through financial and academic support to the educational institutions that act in these territories. • Providing a number of NGOs with spaces (plus the logistical and financial support) in the Company's buildings and shopping centers for these organizations to deploy activities such as dissemination, fund-raising and affiliation, to name but a few, etc. • Permanently creating and financing different entities whose purpose is to rescue and integrate children and youths that are either homeless or in social risk situations. • Supporting scientific, cultural and artistic projects through the mechanisms prescribed by the *Patronage* Law. • Constantly cooperating with communities neighboring with our shopping centers and rental buildings. • Caring for the environment through strict policies issued by the Board. In addition, through the IRSA Foundation, established in 1996 with the purpose of supporting and creating initiatives related to education, social inclusion, health and science, we have made contributions to social organizations by means of financial support for the execution of the programs developed by these organizations in line with those purposes.
II.1.1.8 comprehensive risk management, internal control, and fraud prevention policies,		X		The Company will evaluate in the future the need for formalizing policies concerning comprehensive risk management and fraud prevention. This notwithstanding, the functions consisting in risk management, internal control and fraud prevention at the Company are discharged by each department in line with their areas of responsibility. The Company assesses the efficacy of internal control focused on the issuance of financial statements using to that end the methodology of the COSO Report 2013 (Committee of Sponsoring Organization of the Treadway Commission).

				Should there be complaints or hints of potential frauds, they are reported to the Ethics Committee through the communication channels in place and they can be placed anonymously. The information received by the Ethics Committee is treated as confidential and action measures are taken to clarify and settle the situations reported.
II.1.1.9 The training and continued education policy applicable to the members of the Board of Directors and Senior Management. Should the company have these policies in place, insert a description of their main highlights.	X			The Company encourages involvement in training activities and in professional refreshment courses for the Board and management levels. It is Company policy to have its Board of Directors and management line trained and updated in regulatory matters in the framework of the experience and professional qualities of Board members and the responsibilities that they have. It is also deemed important for an adequate conduct of business that the Board and Senior Management should be trained in matters that favor better business conduct promoting and fostering participation in congresses and in national and international events that address issues associated to the activities deployed by the Directors and senior Managers.
II.1.2 If deemed relevant, please insert other policies applied by the Board that have not been mentioned and detail significant aspects.				There are no other policies that are considered relevant in their implementation other than as previously discussed.
II.1.3 The Issuer has in place a policy to ensure the availability of relevant information for its Board of Directors to make decisions and a channel for direct consultation with its management lines that is symmetrical for all its members (executive, external and independent) on an equal footing and sufficiently in advance so as to enable appropriate analysis. Explain further.	X			The Company has formal tools in its Corporate By-laws that allow and ensure that the basic details required for making decisions are supplied. Notwithstanding the by-laws provisions, which serve as ultimate ratio for accessing to information, Board members have access to the information generated by the Company for adopting decisions, and are also able to communicate directly with the Company's senior Managers to clear all doubts and answer inquiries regarding the matters to be discussed at Board meetings.
II.1.4 The matters submitted to consideration by the Board of Directors are accompanied by an analysis of the risks associated to the decisions that may be adopted, taking into account the level of enterprise risk defined as acceptable by the Issuer. Explain further.	X			The Board analyzes the risks associated to decision-making after the submissions made and the information provided by the Executive Committee and the CEO about each issue, taking into account the level of enterprise risk defined as acceptable for each business and according to each market situation.
<u>Recommendation II.2</u>: Make sure that the Issuer exerts effective controls over management. Answer if: The Board of Directors verifies:				
II.2.1 that the annual budget and Business Plan are complied with,	X			The CEO and the Real Estate General Manager prepare quarterly reports on the Company's business which are submitted to the Board of Directors, containing details about economic financial management, behavior of the most relevant variables, and discussions are held on material topics by business segment and business unit (Argentina - Israel). A comparative analysis of the budget against the turn of business is submitted and any measures necessary to rectify or confirm the course of business are identified.
II.2.2 senior management performance and their attainment of the goals set for them (the level of earnings as forecast versus actually attained, financial ratings, financial reporting quality, market share, etc.). Describe the highlights of the Issuer's Management Control policy detailing the techniques employed and the frequency of monitoring by the Board of Directors.	X			The Executive Committee assesses the performance of its senior Managers as well as the attainment of objectives based on the information provided by the CEO and the Human Resources Department taking into account their performance, the attainment of objectives, the level of earnings obtained and the Company's targets for each term in office. Moreover, as stated in II.1.1.4, the Company applies an annual assessment procedure in coordination with the Human Resources Department, over all its staff, including Senior Management levels. On the other hand, at Board Meetings in which information on the conduct of business, principal ratios and budget control for the

				relevant quarter is analyzed, compliance with the targets set by the company is monitored.
<u>Recommendation II.3</u>: Disclose the process to evaluate Board of Directors performance and its impact. Answer if:				
II.3.1 Each member of the Board of Directors abides by the Bank's By-laws and, when applicable, by the Rules that govern the operation of the Board of Directors. Detail the main guidelines of the Internal Rules. Indicate the degree of compliance with the Bank's By-laws and its Internal Rules.	X			The Board of Directors abides by the rules and regulations that apply to the Issuer and by the By-laws. Therefore, it is unnecessary and redundant, in the Board's opinion, to issue Rules to govern their operation.
II.3.2 The Board of Directors presents the outcome of its management actions taking into account the targets fixed at the beginning of the period in a manner such that shareholders are able to evaluate the degree of compliance with such objectives, which contain both financial and non-financial aspects. In addition, the Board of Directors presents a diagnosis about the degree of compliance with the policies mentioned in Recommendation II, paragraphs II.1.1. and II.1.2. Detail the highlights of the evaluation made by the Annual General Meeting about the degree of compliance by the Board of Directors with the goals established and the policies mentioned in Recommendation II, Sections II.1.1 y II.1.2, with an indication of the date of the AGM where such evaluation was presented.	X			Through its Annual Report and Management Discussion & Analysis, the Board presents the outcome of its actions and maintains permanent communication with the Company's investors through its Web site and in the interaction taking place at shareholders' meetings, keeping shareholders abreast on the results of the Company's operations and the degree of objective attainment. The Board is evaluated by each General Ordinary Shareholders' Meeting in accordance with the rules and regulations in force as contained in the General Companies Law and in the Company's By-laws. The last Shareholders' Meeting at which the matter was discussed was held on October 31, 2017.
<u>Recommendation II.4</u>: The number of external and independent Directors must be a significant proportion of the Issuer's Board of Directors membership. Answer if:				
II.4.1 The proportion of executive members, external and independent (with the latter as defined by the rules of this Commission) of the Board of Directors is in keeping with the capital structure of the Issuer. Explain further.	X			The Corporate By-laws provide that the Company's management and administration is vested in a Board of Directors composed of not less than eight (8) and not more than fourteen (14) members and an equal or lower number of alternates, as determined by the General Ordinary Shareholders' Meeting. Directors' term of office is three years, and they may be reelected indefinitely. At present, the Board of Directors is composed of fourteen (14) Directors and two (2) alternate Directors. Four (4) of the Directors qualify as independent and three (3) of them are members of the Audit Committee; therefore, all the members of this committee are independent, in compliance with the requirement imposed by the SEC on issuers that are listed in the USA, and over the majority required by current regulations.
II.4.2 In the current year, the shareholders agreed at a General Shareholders' Meeting on a policy aimed at maintaining a proportion of at least 20% of independent members over the total number of Board members. Describe the highlights of this policy and of any shareholder agreement that explains the manner in which the members of the Board of Directors are appointed and their terms in office. Indicate if questions have been raised about the independence of Board		X		The shareholders have not agreed on any policy seeking to maintain a proportion of at least 20% of independent members over the total Board. As regards the criteria of independence concerning the members of the Board, they are consistent with the provisions contained in the applicable laws. As set forth in item II.4.1, the number of independent Directors in office is higher than the one required by local regulations for the creation of the Audit Committee,; therefore, for the time being, the Board does not see the need for laying down any such policies.

members and if there have been abstentions caused by conflicts of interest.				
<u>Recommendation II.5</u>: Commit to the implementation of standards and procedures inherent in the selection and nomination of Board and Senior Management members at the Issuer. Answer if:				
II.5.1 The Issuer has a Nominations Committee			X	The Company does not have a Nominations Committee. Until now, the Company has not deemed the implementation of a Nominations Committee to be necessary because such functions are discharged by the Executive Committee. According to the provisions under the General Companies Law, the Annual General Meeting is responsible for approving the appointment and removal of Board members.
II.5.1.1 made up by at least three Board members, a majority of whom are independent,			X	As stated in II.5.1., Items II.5.1.1 through II.5.1.5 do not apply.
II.5.1.2 chaired by an independent Board member,			X	As stated in II.5.1., Items II.5.1.1 through II.5.1.5 do not apply.
II.5.1.3 that has members who evidence sufficient skills and expertise in human capital policies,			X	As stated in II.5.1., Items II.5.1.1 through II.5.1.5 do not apply.
II.5.1.4 that meets at least twice a year,			X	As stated in II.5.1., Items II.5.1.1 through II.5.1.5 do not apply.
II.5.1.5 whose decisions are not necessarily binding on the Annual General Meeting but rather in a consultative nature when it comes to the selection of Board members.			X	As stated in II.5.1., Items II.5.1.1 through II.5.1.5 do not apply.
II.5.2 Should the Issuer have a Nominations Committee, it:			X	As stated in II.5.1., Item II.5.2 does not apply.
II.5.2.1. verifies that its Internal Rules are reviewed and evaluated once a year and submits change proposals to the Board to obtain Board approval,			X	As stated in II.5.1., Items II.5.2.1 through II.5.2.7 do not apply.
II.5.2.2 proposes that criteria be developed (qualifications, experience, professional reputation and ethics, other) to select new Board members and senior Managers,			X	As stated in II.5.1., Items II.5.2.1 through II.5.2.7 do not apply.
II.5.2.3 identifies candidates to Board membership to be proposed by the Nominations Committee to the Annual General Meeting,			X	As stated in II.5.1., Items II.5.2.1 through II.5.2.7 do not apply.
II.5.2.4 suggests the Board members who shall be a part of the different Board committees based on their backgrounds,			X	As stated in II.5.1., Items II.5.2.1 through II.5.2.7 do not apply.
II.5.2.5 recommends that the Chairman of the Board should not be the same as the Issuer's CEO,			X	As stated in II.5.1., Items II.5.2.1 through II.5.2.7 do not apply.
II.5.2.6 ensures that the *curricula vitae* of the Issuer's Board and Senior Management members are available in the Issuer's web-page and that the duration of Board members' terms in office is equally disclosed in the web page,			X	As stated in II.5.1., Items II.5.2.1 through II.5.2.7 do not apply.
II.5.2.7 corroborates that there are succession plans in place for Board and Senior Management members.			X	As stated in II.5.1., Items II.5.2.1 through II.5.2.7 do not apply.
II.5.3 If relevant, please add policies implemented at the initiative of the Issuer's Nominations Committee which have not been mentioned in the preceding Item.			X	As stated in II.5.1, the item II.5.3 does not apply.
<u>Recommendation II.6</u>: Assess the advisability of Board members and/or Statutory Auditors and/or supervisory committee members discharging			X	The Company does not have a limiting rule in place. The Company considers their engagement sufficient in so far as it is adequate to the Company's needs.

functions at several Issuers. Answer if: The Issuer imposes a limit on the ability of the members of the Board of Directors and/or Statutory Auditors and/or supervisory committee to discharge functions at other entities that do not belong to the conglomerate that the Company heads or of which it is a part. Specify any such limit and detail if there has been a breach of said limit in the course of the year.				
<u>Recommendation II.7</u>: Make sure that Board and Senior management members at the Issuer are trained and develop their skills. Answer if:				
II.7.1. The Issuer has Continued Training Programs in connection with the Issuer's needs for the members of the Board of Directors and Senior Management, which include topics concerning their roles and responsibilities, comprehensive enterprise risk management, knowledge specific to the business and its regulations, corporate governance dynamics and enterprise social responsibility. In the case of the Audit Committee members, international accounting standards, auditing standards and internal controls and specific regulations in the capital markets. Describe the programs implemented in the course of the year and their degree of compliance.		X		It is Company policy that the Board of Directors, the Executive Committee, the Audit Committee and its management line should be trained and maintained updated in regulatory matters in the framework of the experience, professional qualities and responsibilities of their members. The Company has in place training and education programs in various matters that are given to its personnel and that include senior Managers. In addition, participation in training activities and professional refreshment courses for the Board and Senior Management is encouraged. Notwithstanding the above, whenever it deems it necessary, the Committee can organize new refreshment and training activities on current regulations or topics related to its duties. The Company deems it important to better conduct business that the Board and senior Managers should be trained in matters that favor better business conduct promoting and fostering participation in congresses and in national and international events that address issues associated to the activities deployed by the Directors and senior Managers.
II.7.2. The Issuer incentivizes Board and Senior Management members by means other than discussed in II.7.1 to maintain permanent training supplementing their education level in a manner such as to add value to the Issuer. Indicate how the Issuer does this.	X			The Company incentivizes the involvement of Board members in specific areas through invitations to events with business contents akin to their roles, orientation activities and updates in regulatory matters.
<u>PRINCIPLE III.</u> ENDORSE AN EFFECTIVE POLICY FOR IDENTIFYING, MEASURING, MANAGING AND DISCLOSING ENTERPRISE RISK.				
In the framework for corporate governance: <u>Recommendation III</u>: The Board of Directors must rely on a policy for comprehensive enterprise risk management and monitor its adequate implementation.				
III.1 Answer if: The Issuer has in place comprehensive enterprise risk management policies (mandating compliance with strategic, operational, financial, reporting, legal and regulatory objectives, among others). Describe their most relevant aspects.		X		The Board of the Company undertakes actions to identify, evaluate and mitigate the Company's exposure to strategic, financial, operational and corporate governance risks. The Board of Directors, with the involvement of the Executive Committee, permanently evaluates the Company's business activities, which includes the risks, the opportunities offered by market conditions at each time and the attainment of the business's operating and strategic objectives. As part of its habitual practice of managing risks, the Board monitors, through the Financial Risk

				Committee, the inherent investments and risks. In addition, the Company has an internal control system to prevent and identify risks, using the comprehensive internal control framework issued by the Committee of Sponsoring Organization of the Treadway Commission (COSO Report 2013) to assess the effectiveness of internal controls over accounting information. In addition, the Company is discussing the issuance of a comprehensive risk management policy that provides a concept framework.
III.2 There is a Risk Management Committee as part of the Board of Directors or of the CEO. Report on the existence of manuals of procedures and detail the main risk factors that are specific to the Issuer or its business and the implemented mitigation actions. In the absence of a Risk Management Committee, please describe the supervisory role played by the Audit Committee when it comes to managing risks. In addition, specify the degree of interaction between the Board of Directors or of its committees with the Issuer's CEO in terms of comprehensive enterprise risk management.		X		The Issuer conducts permanent activities to identify risks inherent in its activity and any necessary mitigation actions. These actions are conducted by the Executive Committee within the Board as stated in III.1. The Executive Committee or the CEO permanently assess risks at the time of making decisions, availing themselves of sufficient and necessary information provided by the Company's different areas or derived from the actions of internal committees that undertake risk assessments concerning each specific matter. There is a Financial Risk Committee consisting of Directors and various Managers of the Company that reviews financial risk management and approval of different investment vehicles. The CEO reports periodically to the Board of Directors on management, risks assessed and submits the matters to be considered and then approved by the Board to the Board for its consideration. He also holds meetings with the Audit Committee or is a member of some internal committee, which contributes to adequately identifying and handling entrepreneurial risks.
III.3 There is an independent function within the office of the Issuer's CEO that implements the comprehensive risk management policies (function discharged by the Risk Management Officer or equivalent position). Specify.			X	There is no independent function within the Issuer's CEO. The Company will analyze the possibility of creating them in the future.
III.4 The comprehensive risk management policies are permanently updated in line with the generally accepted recommendations and methodologies in the matter. Identify them (Enterprise Risk Management, according to the conceptual framework in use at COSO -Committee of Sponsoring Organizations of the Treadway Commission -, ISO 31000, IRAM 17551 standard, Sarbanes-Oxley Act, Section 404, other).		X		The Company has been implementing the policies stated in Item III.1. In addition, the Company has an internal control system designed to prevent and identify accounting risks using the internal control comprehensive framework issued by the Committee of Sponsoring Organization of the Treadway Commission (COSO Report 2013) to assess the effectiveness of internal controls over accounting information.
III.5 The Board of Directors communicates the outcomes of its supervisory tasks concerning risk management performed together with the CEO in the financial statements and in the annual report. Specify the main sections dealing with these matters.	X			Through its Annual Report, the Board discusses the Company's annual actions highlighting the achievements attained in each one of the segments in which it was involved and the results obtained. The Annual Report also mentions the challenges faced by the Company in the course of the year to attain its objectives. As from the moment when the Company adopted the International Financial Reporting Standards (IFRS), the Company's financial statements have been including a note on "Financial Risk Management". This note describes the main risks arising from financial instruments and the risks to which the Company is exposed and which may complicate the Company's strategy, its performance and the results of its operations. In the note, "other non-financial risks" to which the Company is exposed are also mentioned.

PRINCIPLE IV. SAFEGUARD THE INTEGRITY OF FINANCIAL REPORTING RESORTING TO INDEPENDENT AUDITS				
The corporate governance framework must: Recommendation IV: Guarantee independence and transparency in the functions entrusted to the Audit Committee and to the External Auditor.				
Answer if: IV.1. Upon electing the members of the Audit Committee, the Board of Directors takes into account that most of its members must be independent and so evaluates the advisability of it being chaired by an independent member.	X			As mentioned in Item II.4.2, all the members of the Company's Audit Committee qualify as independent Directors as of to date; therefore, the independence criterion required by law is met. The Audit Committee is composed of three (3) Directors, and the Chairman is appointed by the Committee members rather than by the Board.
IV.2 There is an internal audit function that reports to the Audit Committee or to the Chairman of the Board of Directors in charge of evaluating the internal control system. Please indicate if the Audit Committee or the Board of Directors conduct an annual assessment of the area's performance and the degree of independence of its professional involvement, which means that the professionals discharging such function are independent from the remaining operational areas and that they meet the requirements of independence vis-à-vis the controlling shareholders or the related entities that wield significant influence on the Issuer. Specify, also, whether the internal audit function conducts its work in accordance with the international standards that govern internal audit practitioners as issued by the Institute of Internal Auditors (IIA).	X			Internal Audit Management reports to the Compliance Management, who in turn reports directly to the Second Vice-chairman of the Company. The Audit Committee annually assesses the performance of Internal Audit and discloses its conclusions in its Annual Management Report, which is submitted by it to the Board at the time of issuance of the Company's Financial Statements. Such assessment results from meetings held between the Committee and Internal Audit, which evaluate the development and compliance with the Internal Audit' work plan, the reports resulting from the reviews, the observations made and the implementation of its recommendations. The professionals in charge of the Internal Audit function are independent vis-à-vis the Company's remaining operating areas. The Internal Audit area performs its tasks abiding, in general, by the guidelines laid down by international standards for the conduct of Internal Audits issued by the Institute of Internal Auditors (IIA). The Company's Internal Auditor has an international certification issued by the IIA.
IV.3 The members of the Audit Committee undertake an annual assessment of the qualifications, independence and performance exhibited by the External Auditors designated by the Shareholders' Meeting. Describe all relevant aspects in the procedures followed in making such evaluation.	X			In preparation for the Annual General Meeting, the Audit Committee considers the proposed appointment of External Auditors that will be submitted by the Board to such Annual General Meeting. The assessment conducted by the Audit Committee takes into account the professional skills of External Auditors, their expertise and independence conditions. The Audit Committee holds quarterly meetings with external auditors regarding presentation of their work on the Company's Financial Statements. In addition, and previous to the submission of the annual Financial Statements, the Audit Committee's Annual Report will include the committee's opinion concerning the performance of External Auditors.
IV.4 The Issuer relies on a policy concerning the rotation of the Supervisory Committee members and/or the External Auditor. When it comes to External Auditors, the policy addresses whether the rotation spans the audit firm or just the individuals.	X			The members of the Supervisory Committee are chosen by the Annual General Meeting for a one-year term to discharge their functions. The External Auditor is also chosen annually by the Shareholders' Meeting. General Resolution No. 663 issued by the CNV eliminated the audit firm rotation requirement, thus aligning CNV regulations to professional standards (Technical Resolution No. 34) and international standards, which do not require external audit firm rotation. As regards the rotation for the audit partner, General Resolution No. 663 established a term of 7 (seven) years, with a waiting period of 2 (two) years.
PRINCIPLE V. RESPECT SHAREHOLDERS' RIGHTS				
The corporate governance framework must: Recommendation V.1: Make sure that shareholders have access to the Issuer's information.				

Answer if: V.1.1 The Board of Directors fosters periodical informational meetings with shareholders, which coincide with the submission of interim financial statements. Explain further, providing the quantity and frequency of the meetings held in the course of the year.	X			Without prejudice to the information that is released to the market as material information, in each presentation of the interim and annual financial statements the Company issues a “press release” for the investment market and subsequently holds a conference call with on-line presentation where investors and analysts are able to contact the Company’s officers directly and ask questions in real-time.
V.1.2 The Issuer relies on “information for investors” mechanisms and on an area that specializes in addressing investors’ concerns. In addition, the Issuer has a web-site accessible to shareholders and other investors serving as an access channel for them to contact each other. Detail.	X			The Issuer has mechanisms to inform investors in real time and an Investors Relations Department exclusively devoted to dealing with investors’ requirements and enquiries and provides information to shareholders and other investors. In addition to the publications in the Financial Information Highway (*Autopista de Información Financiera*) and the filings with the different enforcement agencies, the Company communicates all its relevant events through an e-mail distribution system that reaches a significant number of current and/or potential investors and analysts. It also has a website (www.irsa.com.ar) through which the shareholders and other investors may contact this department and obtain information about the Company and receive an answer about all types of enquiries concerning the Company.
<u>Recommendation V.2</u>: Promote shareholders’ active involvement.				
Answer if: V.2.1 The Board of Directors has measures in place to foster the participation of all shareholders at the AGMs. Explain further, distinguishing the measures required by statutory provisions from those voluntarily offered by the Issuer to its shareholders.	X			In addition to the information published in the Financial Information Highway and to the information released to the market through the advertisement department of Bolsas y Mercados Argentinos (BYMA), the Board engages in a thorough follow-up of potential attendants previous to the shareholders’ meetings in order to ensure the highest number of attendants possible. This follow-up also spans ADR holders through institutional contact with Bank of New York Mellon (BONY) and its correspondent bank in the Argentine Republic, who are furnished with a translated version of the agenda and other information as requested.
V.2.2 The Annual General Shareholders’ Meeting has a set of Rules for its operation to make sure that the information will be available to the shareholders sufficiently in advance for decision-making purposes. Describe the salient points of this set of Rules.		X		The Annual General Shareholders’ Meeting does not have Rules governing its operation. However, these shareholders’ meetings are called and held in accordance with the provisions under the General Companies Law and all applicable rules and regulations that are issued by the control authority as these establish the terms for informing shareholders and furnishing them with the documentation submitted to the Shareholders’ Meetings. The Company has been zealously working, consistently with market standards, on providing the shareholders with sufficient information for decision making purposes.
V.2.3 The Issuer has mechanisms in place for minority shareholders to propose matters for consideration by the Annual General Meeting in line with the provisions in currently applicable rules and regulations. Provide further information on the results.	X			Neither the by-laws, nor the operating procedures prevent receiving such proposals. As of the date hereof, there have not been proposals of specific issues.
V.2.4 The Issuer relies on policies to stimulate the involvement of the most relevant shareholders such as institutional investors. Specify.	X			The Company does not make any distinctions based on relevance: all shareholders are afforded identical treatment. Through the Banks that has custody over ordinary shares and ADRs, the Company fosters the participation in the Shareholders’ Meeting of local and foreign shareholders, institutional and retail, providing them with explanatory information in advance of each of the points to be discussed at the Shareholders' Meeting
V.2.5 At the Shareholders’ Meetings in which the nominations to the Board of Directors are debated, (i) the position of each one of the candidates is made known as to whether or not to adopt a			X	With the Company having adopted this Corporate Governance Code Report, the position concerning the acceptance of each Board member is impliedly embodied.

Corporate Governance Code; and (ii) the foundations for such position are also made known previous to the vote.				
Recommendation V.3: Guarantee the principle of equality between shares and votes. Answer if: The Issuer relies on a policy that promotes the principle of equality between shares and votes. State the changes in the structure of the outstanding shares by class in the past 3 (three) years.	X			The principle of equality between shares and votes is safeguarded by the Company's by-laws. The Company's shares have a par value of 1 Peso (1$) each and are entitled to one vote per share. The Company does not have its capital stock classified by classes of shares.
Recommendation V.4: Establish mechanisms to safeguard all the shareholders in the event of takeovers. Answer if: The Issuer adheres to the mandatory public tender offer regime. If not, explain further if there are other alternative mechanisms set forth in the by-laws, as would be the case of tag-along or other rights.	X			In accordance with the provisions set forth in Section 90 of the Capital Markets Law No. 26,831, all publicly traded companies are subject to the provisions of the mandatory public tender offer regime, and the Company satisfies this requirement.
Recommendation V.5: Increase the percentage of outstanding shares over capital stock. Answer if: The Issuer relies on shareholder dispersion for at least 20 per cent for its ordinary shares. If not, the Issuer relies on a policy to increase shareholder dispersion through the market. Indicate the percentage of shareholder dispersion as a percentage of the Issuer's capital stock and the changes in such percentage over the last 3 (three) years.	X			The controlling company CRESUD SACIFyA holds 63.74% of the outstanding shares of stock (including repurchased treasury stock), the remaining 36.26% is held by local and foreign investors. Over the past three years, dispersion was always higher than 20%.
Recommendation V.6: Make sure that there is a transparent dividend policy. Answer if:				
V.6.1 The Issuer relies on a dividend distribution policy set forth in the By-laws and approved by the Shareholders' Meeting setting out the conditions for distributing dividends in cash or in shares. If such policy exists, state the criteria, frequency and conditions that must be satisfied for the payment of dividends.		X		The Annual Shareholders' Meeting is the one that annually determines how the income for the year will be allocated, defining which reserves will be established and determining whether the resulting balances will be distributed as dividends. Such dividends shall be determined in accordance with the provisions set forth in the General Companies Law and Bylaws. Distribution of dividends depends upon the company's income and whether there are liquid and realized profits. For its approval, the affirmative vote of a majority of the holders of shares carrying voting rights at the Annual Shareholders' Meeting is required. In addition, the Company takes into account its liquidity and investment projects.
V.6.2 The Issuer relies on documented processes to prepare the proposal to allocate the Issuer's retained earnings in order to raise reserves –be them statutory, voluntary and contemplated by the by-laws-, transfer earnings to future fiscal years and/or pay dividends. Explain these processes further and identify the minutes of the Annual General Meeting that approves the distribution (in cash or in shares) or not of dividends, if this is not contemplated in the By-laws.	X			Once the Company's legal, financial, and business requirements are assessed, General Management prepares a proposal to appropriate results and submits them to the Board. Afterwards, the Board submits its proposal to the respective Annual General Meeting.
PRINCIPLE VI. MAINTAIN DIRECT AND RESPONSIBLE BONDS WITH THE COMMUNITY				
The corporate governance framework must: Recommendation VI: Disclose to the community matters concerning the Issuer and provide a direct means of communication with the company.				

Answer if:				
VI.1 The Issuer has a website accessible to the public and updated that should supply not only relevant company information (the By-laws, the conglomerate, the composition of the Board of Directors, financial statements, annual reports, to name but a few) but also receive the concerns of users in general.	X			The Company has a website (www.irsa.com.ar) for the public in general to access to the Company's institutional information, its corporate responsibility practices and an investor section containing all the financial information that is relevant to current and/or potential shareholders. In addition, it is a channel for contacting the following areas: Investor Relations, Institutional Relations, Commercial Areas and Human Resources. In addition, this web-site allows the community to communicate with the Ethics Committee to deal with users' concerns and a channel to receive various types of reports.
VI.2 The Issuer releases a Social and Environmental Responsibility Statement on an annual basis, verified by an independent External Auditor. If this statement is released, state its scope or its legal or geographical coverage and where it is available. Specify the rules or initiatives adopted to implement the enterprise social responsibility policy (Global Reporting Initiative and/or the UN's Global Pact, ISO 26.000, SA8000, UN's Millennium Development Goals, SGE 21-Foretica, AA 1000, Ecuador Principles, to name but a few).		X		The Company has an Environmental Policy, an instrument that allows it to design a strategy with the intention of working towards continuous improvement, protection of the environment and compliance with the legislation and regulations in force, including that to which it voluntarily subscribes. each of the activities that it develops.
PRINCIPLE VII. REMUNERATE EQUITABLY AND RESPONSIBLY				
The corporate governance framework must: <u>Recommendation VII</u>: Establish clear policies to remunerate the Issuer's Board and Senior Management members, giving special consideration to any limits imposed by contracts or the by-laws based on the existence of earnings or not.				
Answer if: VII.1. The Issuer relies on a Remunerations Committee:			X	As of the date of this report, the Company did not have a Remunerations Committee, which is furthermore not required by currently applicable rules and regulations. Directors' remuneration is determined in conformity with the provisions under the General Companies Law taking into account whether Directors discharge technical and administrative duties or not and based on the Company's earnings for the fiscal year. On an annual basis, the Audit Committee considers and renders an opinion on the proposal of Directors' fees that the Board will submit to the Annual General Meeting for its approval.
VII.1.1 made up by at least three Board members, a majority of whom are independent,			X	As stated in VII.1 Items VII.1.1 through VII.1.5 do not apply.
VII.1.2 chaired by an independent Board member,			X	As stated in VII.1 Items VII.1.1 through VII.1.5 do not apply.
VII.1.3 that has members who evidence sufficient skills and expertise in human capital policies,			X	As stated in VII.1 Items VII.1.1 through VII.1.5 do not apply.
VII.1.4 that meets at least twice a year,			X	As stated in VII.1 Items VII.1.1 through VII.1.5 do not apply.
VII.1.5 whose decisions are not necessarily binding on the Annual General Meeting or on the Surveillance Committee but rather in a consultative nature when it comes to the remuneration of Board members.			X	As stated in VII.1 Items VII.1.1 through VII.1.5 do not apply.
VII.2 Should the Issuer have a Remunerations Committee, it:			X	As stated in VII.1, the issues discussed in Items VII. 2 to VII 2.7 do not apply.
VII.2.1 makes sure that there is a clear relationship between the performance of key personnel and its fixed and variable remuneration taking into account the risks taken on and their management,			X	As stated in VII.1, the issues discussed in Items VII. 2 to VII 2.7 do not apply.

VII.2.2 supervises that the variable portion of the remuneration of Board members and Senior Management members is linked to the Issuer's medium- and/or long-term performance,			X	As stated in VII.1, the issues discussed in Items VII. 2 to VII 2.7 do not apply.
VII.2.3 reviews the Issuer's position vis-à-vis competitors concerning its policies and practices applicable to the remunerations and benefits it pays and recommends whether to modify them or not,			X	As stated in VII.1, the issues discussed in Items VII. 2 to VII 2.7 do not apply.
VII.2.4 defines and communicates the policy applicable to key personnel retention, promotion, dismissal and suspension,			X	As stated in VII.1, the issues discussed in Items VII. 2 to VII 2.7 do not apply.
VII.2.5 informs the guidelines that determine the retirement plans of the Issuer's Board and Senior Management members,			X	As stated in VII.1, the issues discussed in Items VII. 2 to VII 2.7 do not apply.
VII.2.6 is regularly accountable to the Board and the Annual General Shareholders' Meeting on the actions undertaken and the issues analyzed at their meetings,			X	As stated in VII.1, the issues discussed in Items VII. 2 to VII 2.7 do not apply.
VII.2.7 ensures that the Chairman of the Remunerations Committee attends the Annual General Meeting that approves remunerations to the Board for him to explain the Issuer's policy concerning the remuneration of the Board and the Senior Management members.			X	As stated in VII.1, the issues discussed in Items VII. 2 to VII 2.7 do not apply.
VII.3 If relevant, please add policies implemented at the initiative of the Issuer's Remunerations Committee which have not been mentioned in the preceding Item.			X	Not applicable.
VII.4 In the absence of a Remunerations Committee, explain how the functions described in VII. 2 are discharged within the Board itself.	X			In accordance with what has been discussed in Item VII.1, the Company does not have a Remunerations Committee. Based on the proposal of the fees to be paid to the Board members to be approved by the Annual General Meeting, the Audit Committee assesses and renders an opinion on the reasonableness of the total sum of fees against the earnings for the year, evaluating also the responsibilities inherent in the position, the dedication demanded for discharging duties, the professional experience and dedication in addition to consistency with the approvals conferred in previous fiscal years. As concerns the remuneration payable to senior Managers and as mentioned in II.1.1.4, the Executive Committee delegates to the CEO and to the Human Resources Department the establishment of the remuneration payable to senior Managers. In establishing these fees, what is taken into account is the responsibility, the performance and external competitiveness by entrusting specialized consultants with market surveys. In addition to determining a fixed amount, the portion of variable remuneration payable to senior Managers is in line with the Company's objectives for the short, medium and long terms. The Company also has long-term retention plans that are communicated to key personnel.
PRINCIPLE VIII. FOSTER ENTERPRISE ETHICS				
The corporate governance framework must: <u>Recommendation VIII</u>: Guarantee ethical behaviors at the Issuer.				
Answer if: VIII.1 The Issuer relies on a Code of Enterprise Conduct. Indicate the main guidelines and whether it is available to the public. This Code is signed by, at least, the members of the Board of	X			The Company has a Code of Ethics approved by the Board that applies to all the Company's Directors, Statutory Auditors and employees and it establishes that they must act with honesty, integrity and responsibility when they interact with each other, with clients, investors, suppliers, government officials and

Directors and of senior management. Indicate if the Issuer promotes extending the enforcement of this code to suppliers and customers.				the press and with other institutions and individuals. The Code of Ethics is available to the public at large and it has been published in the Company's webpage. It has been signed by the members of the Board of Directors and by the Company's employees.
VIII.2 The Issuer relies on mechanisms to receive reports about illegal or unethical behaviors submitted personally or by electronic means ensuring that the information relayed is treated in the outmost confidentiality and abides by the highest standards of information recording and preservation. Indicate if the service to receive and assess reports is rendered by the Issuer's personnel or by external independent professionals to afford whistleblowers increased protection.	X			The Company has provided for mechanisms to receive reports of illegal or anti-ethical behaviors through several communication channels which are described in the Code of Ethics. The channels made available comprise an e-mail address and a telephone number for the Ethics Committee, the e-mail addresses and the telephone numbers of the members of the Ethics Committee and a regular mail address for the Ethics Committee. In addition, for reports or concerns about accounting matters, accounting internal control or audit matters, the Audit Committee has an incoming box for reports that it manages directly. The reports can be placed anonymously and their treatment as confidential is guaranteed. The information conveyed is treated with high confidentiality and integrity standards and it is equally subject to stringent information recording and preservation standards. The service to receive and evaluate complaints is internal and it is the responsibility of the Ethics Committee and the Audit Committee as applicable.
VIII.3 The Issuer relies on policies, processes and systems to handle and find a resolution for the reports mentioned in Section VIII.2. Describe their most relevant aspects and indicate the degree of involvement of the Audit Committee in said resolutions, in particular in those reports associated to internal controls for financial reporting and on the behaviors of Board and senior management members.	X			To handle complaints and to find a solution to them, the Company has established a procedure whose main aspects are described below: • Receipt: complaints are received and analyzed by the Ethics Committee. • Registration: each complaint is registered. • Analysis and resolution: each complaint is analyzed and a resolution is found in its respect. • Communication: all the reports received by the Ethics Committee are communicated to the Audit Committee (they are reported on a quarterly basis). As for complaints placed with the Audit Committee, it will be the Audit Committee that first determines how to analyze them and which solution to give to them.
PRINCIPLE IX: FURTHER THE SCOPE OF THE CODE				
The corporate governance framework must: Recommendation IX: Promote the inclusion of the provisions inherent in good corporate governance practices in the By-laws. Answer if: The Board of Directors evaluates whether the provisions of the Corporate Governance Code must be reflected, in whole or in part, in the By-laws, including the general and specific responsibilities of the Board of Directors. Identify the provisions that will be actually included in the By-laws as from the coming into force of the Code until to date.	X			The Company's By-laws satisfy the requirements imposed by the General Companies Law and applicable rules and regulations in line with the Public Offering Regime, and its own Code of Ethics. The Company's By-laws include provisions analogous to, and coincidental with, the above-mentioned provisions in the field of composition of governance bodies, particularly the Board of Directors –functions, rotation and responsibilities-, the Supervisory Committee and the Executive and Audit Committees. Concerning conflicts of interest, it is the General Companies Law that applies directly, together with the rules and regulations that govern the capital markets. The By-laws do not contain any provision that impedes heeding recommendations that it does not specifically prescribe. It is for this reason that the Board understands that nothing warrants amending the by-laws for the time being. Therefore, the Company considers that it has in place an adequate regulatory framework concerning Corporate Governance; however, the Board may in the future consider the timing and advisability of including other provisions aimed at optimizing good corporate governance practices.

(1) Check with an "X" if applicable.
(2) In the event of total compliance, report how the Issuer abides by the principles and heeds the recommendations of the Corporate Governance Code
(3) In the event of Partial compliance or of Non-compliance, please state the reasons and describe the actions that the Issuer's Board is planning to implement in order to incorporate the recommendations not yet heeded in the coming fiscal year/s, if any.

Eduardo S. Elsztain

Chairman