CRESUD INC
Form 20-F
November 01, 2016

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

FORM 20-F

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

OR

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

For the fiscal year ended: June 30, 2016

OR

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

OR

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

Date of event requiring this shell company report ___

For the transition period from ___ to___

Commission file number: 001-29190

CRESUD SOCIEDAD ANONIMA COMERCIAL INMOBILIARIA FINANCIERA Y AGROPECUARIA
(Exact name of Registrant as specified in its charter)

CRESUD INC.
(Translation of Registrant’s name into English)

Republic of Argentina
(Jurisdiction of incorporation or organization)

Moreno 877, 23 Floor,

(C1091AAQ) City of Buenos Aires, Argentina
(Address of principal executive offices)

Matías Gaivironsky
Chief Financial and Administrative Officer
Tel +(5411) 4323-7449 – finanzas@cresud.com.ar
Moreno 877, 24 Floor,
(C1091AAQ) City of Buenos Aires, Argentina
(Name, Telephone, E-mail and/or Facsimile number and Address of Company Contact Person)

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

Title of each class	Name of each exchange on which registered
American Depositary Shares, each representing ten shares of Common Stock	Nasdaq National Market of the Nasdaq Stock Market
Common Stock, par value one Peso per share	Nasdaq National Market of the Nasdaq Stock Market*

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

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

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

The number of outstanding shares of the issuer's common stock as of June 30, 2016 was 501,642,804.

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

Yes No

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

Yes No

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes No

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

Yes No

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

Large accelerated filer Accelerated filer Non-accelerated filer

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

U.S. GAAP	International Financial Reporting Standards as issued by the International Accounting Standards Board	Other

If "Other" has been checked in response to the previous question, indicate by check mark which financial statement item the registrant has elected to follow.

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If this is an annual report, indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Yes No

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DISCLOSURE REGARDING FORWARD-LOOKING INFORMATION

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

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

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

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

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inflation and deflation;

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fluctuations in prevailing interest rates;

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current and future government regulation;

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adverse legal or regulatory disputes or proceedings;

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fluctuations and declines in the value of Argentine public debt;

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political events, civil strife and armed conflicts;

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

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restrictions on transfer of foreign currencies;

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

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

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

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our ability to meet our debt obligations;

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shifts in consumer purchasing habits and trends;

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technological changes and our potential inability to implement new technologies;

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

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

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risks related to our investment in Israel; and

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

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

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

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

CERTAIN MEASURES AND TERMS

As used throughout this annual report, the terms "Cresud", "Company", "we", "us", and "our" refer to Cresud Sociedad Anóni Comercial, Inmobiliaria, Financiera y Agropecuaria, together with our consolidated subsidiaries, except where we make clear that such terms refer only to the parent company.

References to "Tons", "tons" or "Tns." are to metric tons, to "kgs" are to kilograms, to "ltrs" are to liters, "Hct" are to hectares, and "square meters" are to square meters, while in the United States and certain other jurisdictions, the standard measure of area is the square foot (sq.ft). A metric ton is equal to 1,000 kilograms. A kilogram is equal to approximately 2.2 pounds. A metric ton of wheat is equal to approximately 36.74 bushels. A metric ton of corn is equal to approximately 39.37 bushels. A metric ton of soybean is equal to approximately 36.74 bushels. A square meter is equal to 10.77 sq. ft. One gallon is equal to 3.7854 liters. One hectare is equal to approximately 2.47 acres and 10,000 square meters. One square meter is equal to approximately 10.764 square feet. One kilogram of live weight cattle is equal to approximately 0.5 to 0.6 kilogram of carcass (meat and bones).

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

PRESENTATION OF FINANCIAL AND CERTAIN OTHER INFORMATION

FINANCIAL STATEMENTS

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

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

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

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

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

MARKET DATA

Market data used throughout this annual report was derived from reports prepared by unaffiliated third-party sources. Such reports generally state that the information contained therein has been obtained from sources believed by such sources to be reliable. Certain market data which appears herein (including percentage amounts) may not sum due to rounding.

In this annual report where we refer to "Peso", "Pesos", or "Ps." we mean Argentine Pesos, the lawful currency in Argentina; when we refer to "U.S. Dollars", or "US$" we mean United States Dollars, the lawful currency of the United States of America; when we refer to "Real", "Reals", "Rs." or "R$" we mean Brazilian Real, the lawful currency in the Federative Republic of Brazil; when we refer to "NIS", we mean New Israeli Shekels, the lawful currency of Israel; and when we refer to "Central Bank" we mean the Banco Central de la República Argentina (Argentine Central Bank).

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

PART I

Item 1. Identity of Directors, Senior Management and Advisers

This item is not applicable.

Item 2. Offer Statistics and Expected Timetable

This item is not applicable.

Item 3. Key Information

A. SELECTED CONSOLIDATED FINANCIAL DATA

The following selected consolidated financial data has been derived from our Audited Consolidated Financial Statements as of the dates and for each of the periods indicated below. This information should also be read in conjunction with our Audited Consolidated Financial Statements included under Item 8. "Financial Information", and the discussion in Item 5. "Operating and Financial Review and Prospects".

The selected consolidated statements of (operations)/income and comprehensive (loss)/income data for the years ended June 30, 2016, 2015 and 2014 and the selected consolidated statements of financial position data as of June 30, 2016 and 2015 have been derived from our Audited Consolidated Financial Statements included in this annual report which have been audited by Price Waterhouse & Co S.R.L. City of Buenos Aires, Argentina, member of PriceWaterhouseCoopers International Limited, an independent registered public accounting firm.

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

	IFRS For the fiscal year ended June 30,					
	2016(1)	2016	2015	2014	2013	2012
	(in millions of US$)	(in millions of Ps.)				
Consolidated Statements of (Operations)/Income						
Revenues	2,353	35,384	5,652	4,604	3,529	2,860
Costs	(1,735)	(26,090)	(4,770)	(3,913)	(3,121)	(2,464)
Initial recognition and changes in fair value of biological assets and agricultural produce at the point of harvest	110	1,660	1,324	1,152	887	701
Changes in net realizable value of agricultural produce after harvest	14	208	(34)	(18)	12	3

Gross Profit	742	11,162	2,172	1,825	1,307	1,100
Gain from disposal of investment properties	73	1,101	1,150	231	178	117
Gain from disposal of farmlands	-	(2)	550	91	150	45
General and administrative expenses	(149)	(2,244)	(618)	(533)	(346)	(321)
Selling expenses	(417)	(6,279)	(474)	(354)	(280)	(201)
Other operating results, net	(3)	(44)	12	(75)	98	(93)
Profit from operations	246	3,694	2,792	1,185	1,107	647
Share of (loss)/profit of associates and joint ventures	31	473	(1,025)	(409)	(10)	3
Profit from operations before financing and taxation	277	4,167	1,767	776	1,097	650
Finance income	131	1,974	241	288	201	139
Finance cost	(513)	(7,719)	(1,685)	(2,852)	(1,125)	(757)
Other Financial results	(34)	(510)	155	(10)	15	49
Financial results, net	(416)	(6,255)	(1,289)	(2,574)	(909)	(569)
(Loss)/Profit before income tax	(139)	(2,088)	478	(1,798)	188	81
Income tax (expense)/benefit	13	197	(303)	389	(34)	(22)
(Loss)/Profit for the year	(126)	(1,891)	175	(1,409)	154	59
Attributable to:						
Equity holders of the parent	(69)	(1,038)	(250)	(1,068)	(27)	(21)
Non-controlling interest	(57)	(853)	425	(341)	181	80

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		IFRS				
		For the fiscal year ended June 30,				
	2016(1)	2016	2015	2014	2013	2012
	(in millions of US$)	(in millions of Ps.)				
Consolidated Statements of Comprehensive (Operations)/Income						
(Loss)/Profit for the year	(126)	(1,891)	175	(1,409)	154	58
Other comprehensive income:						
Items that may be reclassified subsequently to profit or loss:						
Currency translation adjustment	3	37	(521)	1,285	181	(231)
Share of currency translation adjustment of joint ventures and associates accounted for using the equity method	320	4,818	82	(17)	2	(3)
Share of change in the fair value of hedging instruments of associates and joint ventures accounted for using the equity method	(6)	(93)	-	-	-	-
Items that may not be reclassified subsequently to profit or loss, net of income tax:						
Actuarial loss from defined benefit plans net of income taxes	(3)	(42)	-	-	-	-
Other comprehensive income/(loss) for the year	314	4,720	(439)	1,268	183	(234)
Total comprehensive income/(loss) for the year	188	2,829	(264)	(141)	337	(176)
Attributable to:						
Equity holders of the parent	(43)	(646)	(440)	(437)	66	(103)
Non-controlling interest	231	3,475	176	296	271	(73)

		IFRS				
		For the fiscal year ended June 30,				
	2016(1)	2016	2015	2014	2013	2012
	(in millions of US$)	(in millions of Ps.)				
CASH FLOW DATA						
Net cash generated from operating activities	270	4,055	494	883	648	668
Net cash generated from/(used in) investing activities	575	8,652	872	(886)	(93)	(354)
Net cash used in financing activities	(299)	(4,495)	(1,776)	(446)	(17)	(479)

	IFRS					
	As of fiscal year ended June 30,					
	2016(1)	2016	2015	2014	2013	2012
	(in millions of US$)	(in millions of Ps.)				
Consolidated Statements of Financial Position						
ASSETS						
Non-Current Assets						
Investment properties	3,309	49,766	3,475	3,455	4,171	3,455
Property, plant and equipment	1,749	26,300	1,977	2,382	1,841	1,873
Trading properties	297	4,472	130	132	98	87

Intangible assets	786	11,814	176	175	219	168
Biological assets	45	677	459	445	303	278
Investments in associates and joint ventures	1,099	16,534	2,389	2,375	1,487	1,501
Deferred income tax assets	110	1,658	653	853	179	81
Income tax credit	12	173	160	178	199	157
Restricted assets	9	129	4	51	55	-
Trade and other receivables	251	3,773	427	475	291	297
Assets held for sale	222	3,346	-	-	-	-
Investment in financial assets	148	2,226	623	275	254	626
Derivative financial instruments	1	8	208	-	25	18
Employee benefits	-	4	-	-	-	-
Total Non-Current Assets	8,038	120,880	10,681	10,796	9,122	8,541
Current Assets						
Trading properties	16	241	3	4	12	11
Biological assets	30	455	120	196	98	85
Inventories	259	3,900	511	440	252	253
Restricted assets	50	748	607	-	1	-
Income tax credit	36	541	31	20	5	29
Assets held for sale	84	1,256	-	1,358	-	-
Trade and other receivables	941	14,158	1,772	1,438	1,480	859
Investment in financial assets	643	9,673	504	496	386	72
Derivative financial instruments	4	53	30	33	7	3
Cash and cash equivalents	937	14,096	634	1,003	1,048	472
Total Current Assets	3,000	45,121	4,212	4,988	3,289	1,784
TOTAL ASSETS	11,038	166,001	14,893	15,784	12,411	10,325

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	As of fiscal year ended June 30,					
	2016(1)	2016	2015	2014	2013	2012
	(in millions of US$)	(in millions of Ps.)				
SHAREHOLDERS' EQUITY						
Capital and Reserves Attributable to Equity Holders of the Parent						
Share capital	33	495	495	491	497	497
Treasury shares	-	7	7	11	5	5
Inflation adjustment of share capital	4	65	64	64	65	165
Inflation adjustment of treasury shares	-	-	-	1	1	1
Share premium	44	659	659	773	773	773
Additional paid-in capital from treasury shares	1	16	13	-	-	-
Cost of treasury shares	-	-	(32)	(55)	-	-
Share warrants	-	-	-	106	106	106
Cumulative translation adjustment	-	-	-	-	-	-
Equity-settled compensation	-	-	-	-	-	-
Changes in non-controlling interest	-	-	-	-	-	-
Other reserve	72	1,086	548	688	(12)	(87)
Legal reserve	6	83	-	82	47	43
Reserve for new developments	-	-	-	17	337	389
Special reserve	-	-	-	634	696	-
Reserve for the repurchase of securities	-	-	32	200	-	-
(Accumalated deficit) / Retained Earnings	(90)	(1,390)	(806)	(1,066)	(27)	667
Equity Attributable to equity holders of the parent	70	1,021	980	1,946	2,488	2,559
Non-controlling interest	945	14,211	2,539	2,489	2,231	2,133
TOTAL SHAREHOLDERS' EQUITY	1,015	15,232	3,519	4,435	4,719	4,692
LIABILITIES						
Non-current liabilities						
Trade and other payables	102	1,528	264	217	228	169
Borrowings	6,237	93,808	5,833	5,315	4,190	2,770
Deferred income tax liabilities	509	7,662	151	470	530	630
Derivative financial instruments	8	121	270	321	3	23
Payroll and social security liabilities	1	21	5	5	4	1
Provisions	89	1,341	387	221	72	22
Employee benefits	46	689	-	-	-	-
Total non-current liabilities	6,992	105,170	6,910	6,549	5,027	3,615
Current Liabilities						
Trade and other payables	1,226	18,443	1,307	1,004	900	587
Income tax liabilities	41	624	142	73	92	118
Payroll and social security liabilities	123	1,856	230	203	121	104
Borrowings	1,562	23,488	2,467	2,639	1,527	1,187
Derivative financial instruments	10	147	263	53	9	18
Provisions	69	1,041	55	21	16	4
Liabilities directly associated with assets classified as held for sale	-	-	-	807	-	-
Total current liabilities	3,031	45,599	4,464	4,800	2,665	2,018

TOTAL LIABILITIES	10,023	150,769	11,374	11,349	7,692	5,633
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES	11,038	166,001	14,893	15,784	12,411	10,325

		IFRS As of fiscal year ended June 30,				
	2016(1)	2016	2015	2014	2013	2012
Other Financial Data	(in US$, except for percentages, ratios and number of shares)	(in Ps, except for percentages, ratios, number of shares, per share and per ADS data)				
Basic net income per share (2)	(0.00)	(2.83)	0.23	(2.15)	(0.05)	(0.04)
Diluted net income per share (3)	(0.00)	(2.83)	0.21	(2.15)	(0.05)	(0.04)
Basic net income per ADS (2)(4)	(0.00)	(28.30)	2.30	(21.50)	(0.54)	(0.43)
Diluted net income per ADS (3)(4)	(0.00)	(28.30)	2.10	(21.50)	(0.54)	(0.43)
Capital stock	33	502	502	502	502	502
Number of common shares	501,642,804	501,642,804	501,642,804	501,562,730	501,562,730	501,562,534
Weighted – average number of common shares outstanding	494,991,778	494,991,778	492,020,463	496,132,488	496,561,931	496,561,780
Diluted weighted – average number of common shares (5)	554,375,631	554,375,631	554,375,631	558,487,656	558,917,099	558,916,948
Dividends paid (6)	-	-	-	-	120	120

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Dividends per share	-	-	-	-	-	-
Dividends per ADS (4)	-	-	-	-	-	-
Depreciation and amortization	184	2,769	259	297	280	233
Capital expenditure	163	2,458	488	436	1,048	243
Working capital	(32)	(478)	(252)	188	624	(234)
Gross margin (7)	0.30	0.30	0.31	0.32	0.30	0.31
Operating margin (8)	0.10	0.10	0.40	0.21	0.25	0.18
Net margin (9)	(0.05)	(0.05)	0.03	(0.24)	0.03	0.02
Ratio of current assets to current liabilities (10)	0.99	0.99	0.94	1.04	1.23	0.88
Ratio of shareholders' equity to total liabilities (11)	0.10	0.10	0.31	0.39	0.61	0.83
Ratio of non current assets to total assets (12)	0.73	0.73	0.73	0.68	0.73	0.83
Ratio of "Return on Equity" – ROE (13)	(0.19)	(0.19)	0.17	(0.31)	0.03	0.01

(1) Solely for the convenience of the reader, we have translated Peso amounts into U.S. Dollars at the exchange rate quoted by

Banco de La Nación Argentina for June 30, 2016 which was Ps.15.04 = US$1.00. We make no representation that the Peso or U.S. Dollar amounts actually represent, could have been or could be converted into U.S. Dollars at the rates indicated, at any particular rate or at all.

(2) Basic net income per share is computed by dividing the net income available to common shareholders for the period by the weighted average common shares outstanding during the period.

(3) Diluted net income per share is computed by dividing the net income for the period by the weighted average number of

common shares assuming the total conversion of outstanding notes and exercise of outstanding options. Due to the loss for the years 2016, 2015, 2014, 2013 and 2012, there is no diluted effect on this result.

(4) Determined by multiplying per share amounts by ten (one ADS equals ten common shares).

(5) Assuming exercise of all outstanding warrants to purchase our common shares.

(6) The shareholders' meeting held in October 2013 approved the distribution of a cash dividend for an amount of Ps.120 million for the fiscal year ended June 30, 2013.

(7) Gross profit divided by the sum of revenues and

initial recognition and changes in fair value of biological assets and agricultural produce at the point of harvest.

(8) Operating income divided by the sum of revenues and initial recognition and changes in fair value of biological assets and agricultural produce at the point of harvest.

(9) Net income divided by the sum of revenues and initial recognition and changes in fair value of biological assets and agricultural produce at the point of harvest.

(10) Current assets over current liabilities.

(11) Shareholders' equity over total liabilities.

(12) Non-current assets over total assets.

(13) Profitability refers to Income for the

year divided
by average
Shareholders'
equity.

LOCAL EXCHANGE MARKET AND EXCHANGE RATES

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

With the change of government, and political color, in December 2015, one of the first measures taken by the Argentine government was to lift the principal restrictions that limited access to individuals to foreign exchange market. In this connection, Communication "A" 5850 of the Central Bank admitted again the possibility for individuals to have access to the local market, however, up to a certain amount of money. As local economy became stable in Argentina, and local markets reopened to foreign commerce, the Central Bank issued on August 2016 Communication "A" 6037 that lifted all remaining limitations. Nowadays, all individuals have unrestrictive access to the local exchange market, according to the conditions and procedures that are explained in this document.

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

	Maximum(1)(2)	Minimum(1)(3)	Average(1)(4)	At closing(1)
Fiscal year ended June 30, 2012	4.5070	4.1250	4.3016	4.5070
Fiscal year ended June 30, 2013	5.3680	4.5650	4.9339	5.3680
Fiscal year ended June 30, 2014	8.0830	5.4850	6.9333	8.0830
Fiscal year ended June 30, 2015	9.0380	8.1630	8.5748	9.0380
Fiscal year ended June 30, 2016	15.7500	9.1400	12.2769	14.9900
April 2016	14.7400	14.0000	14.3367	14.2000
May 2016	14.1900	13.8700	14.0720	13.9410
June 2016	15.2500	13.6950	14.1343	14.9900
July 2016	15.1000	14.510	14.8410	14.9600
August 2016	15.0500	14.6100	14.7899	14.8800
September 2016	15.3400	14.8500	15.0666	15.2600
October 2016 (through October 13, 2016)	15.1600	15.0200	15.1153	15.0820

Source: Central Bank
(1)
Average between the offer exchange rate and the bid exchange rate according to Banco de la Nación Argentina "foreign currency exchange rate", against Pesos.
(2)
The maximum exchange rate appearing in the table was the highest end-of-month exchange rate in the year or shorter period, as indicated.
(3)
The minimum exchange rate appearing in the table was the lowest end-of-month exchange rate in the year or shorter period, as indicated.

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

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

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

Registration Requirements

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

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

Disbursements

Pursuant to Communication “A” 5850, Argentine residents are no longer obliged to settle proceeds received from foreign indebtedness through the local exchange market.

According to Communication “A” 6037, Argentine residents will have access to the local exchange money also at the time of repayment of principal and interests.

Principal and Interest Payments

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

Corporate Profits and Dividends

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

Restrictions on Foreign Indebtedness

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

Minimum Term of Indebtedness

Financial indebtedness incurred by Argentine residents with foreign creditors (including refinancing of existing indebtedness) must be agreed upon and cancelled within terms of no less than 120 calendar days (waiting period), whatever the form of repayment thereof. Additionally, no prepayment of such indebtedness may be made prior to the expiration of such term, irrespective of the payment method and whether or not termination entails the execution of a foreign exchange trade in the local market.

Local Bank Account

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

No Restrictions on Residents on the Purchase of Foreign Currency

Other Exchange Control Measures

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

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

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

Source: Bloomberg

(1)
Average between the offer exchange rate and the bid exchange rate of the New Israeli Shekel against the U.S. dollar.
(2)
The maximum exchange rate appearing in the table was the highest end-of-month exchange rate in the year or shorter period, as indicated.
(3)
The minimum exchange rate appearing in the table was the lowest end-of-month exchange rate in the year or shorter period, as indicated.
(4)
Average exchange rates at the end of the month.

B. CAPITALIZATION AND INDEBTEDNESS

This section is not applicable.

C. REASONS FOR THE OFFER AND USE OF PROCEEDS

This section is not applicable.

D. RISK FACTORS

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

Operations Center in Argentina

Risks Relating to Argentina

We depend on macroeconomic and political conditions in Argentina.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

As of the date of this annual report, there are four final awards issued by ICSID tribunals against Argentina for an aggregate total amount of US$470.66 million and Argentina is seeking the annulment of four additional awards for an aggregate total amount of US$831.73 million. There are six ongoing cases against Argentina before ICSID with claims totaling US$2.15 billion (including two cases with claims for amounts that are currently undetermined), and in three of these cases (with aggregate claims for US$2.08 billion) the ICSID tribunal has already ruled that it has jurisdiction. There are eight additional cases with claims totaling US$6.17 billion in which the parties agreed to suspend the proceedings pending settlement discussions (including the proceedings initiated by Task Force Argentina, an Italian bondholder association known as "TFA"). A successful completion of these negotiations could lead additional ICSID claimants to withdraw their claims, although Argentina can offer no assurance to this effect.

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

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

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

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

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

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

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

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

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

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

In November 2008, the Argentine government enacted Law No. 26,425 which provided for the nationalization of the Administradoras de Fondos de Jubilaciones y Pensiones. More recently, beginning in April 2012, the Argentine government provided for the nationalization of YPF S.A. and imposed major changes to the system under which oil companies operate, principally through the enactment of Law No. 26,741 and Decree No. 1277/2012. In February 2014, the Argentine government and Repsol S.A. (the former principal shareholder of YPF S.A.) announced that they had reached agreement on the terms of the compensation payable to Repsol for the expropriation of the YPF S.A. shares. Such compensation totaled US$5 billion, payable by delivery of Argentine sovereign bonds with various maturities. In April 23, 2014, the agreement with Repsol was approved by the Argentine Congress and accordingly, in May 8, 2014, Repsol, S.A. received the relevant Argentine government bonds.

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

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

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

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

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

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

In the past, the Argentine government has passed laws, regulations and decrees requiring companies in the private sector to maintain minimum wage levels and provide specified benefits to employees and may do so again in the future. In the aftermath of the Argentine economic crisis, employers both in the public and private sectors experienced significant pressure from their employees and labor organizations to increase wages and to provide additional employee benefits. In August 2012, the Argentine government established a 25% increase in minimum monthly salary to Ps.2,875, effective as of February 2013. The Argentine government increased the minimum monthly salary to

Ps.3,300 in August 2013, to Ps.3,600 in January 2014, to Ps.4,400 in September 2014, to Ps.4,716 in January 2015, to Ps.5,588 in August 2015 and to Ps.6,060 from January 2016. Due to ongoing high levels of inflation, employers in both the public and private sectors continue to experience significant pressure from unions and their employees to increase salaries. During the first months of the year 2016, various unions have agreed with employers' associations on salary increases between 30% and 35%.

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

Property values in Argentina could decline significantly.

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

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

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

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

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

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

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

The Rural Land Law and its application.

On December 22, 2011, the Argentine Congress passed the Rural Land Law in order to protect the ownership and sovereignty of certain rural areas of Argentina (the “Rural Land Law”). The Rural Land Law sets limits on the ownership of rural land by foreign individuals or legal entities acting in Argentina ("Foreign Persons"), setting a maximum allowable percentage ownership for foreigners of 20%. Additionally, only 30% of the aforementioned 20% may be held by Foreign Persons of the same nationality, and from the date of enactment of the Rural Land Act, a Foreign Person may not own more than 1,000 hectares of rural land in total throughout Argentine territory. The Rural Land Law states that it will not affect any rights previously acquired by Foreign Persons.

For the purposes of the Rural Land Law, the definition of Foreign Person includes Argentine companies in which a percentage higher than 51% of the outstanding capital stock is owned by foreign individuals or legal entities, or lower rates if the entity meets the proportions necessary to form the social will. The following also falls within the definition of Foreign Person (among others): (a) entities controlled by a percentage greater than 25% by a foreign company, or regardless of participation when such company holds enough votes to form the social will of that company; (b) companies that issued convertible notes, where a Foreign Person may exert over 25% of the voting power necessary to form the social will; (c) transfers for trusts whose beneficiaries are Foreign Persons in a percentage higher than 25%, (d) joint ventures, holding companies and any other legal persons present or in the future, and (e) foreign legal persons under public law.

On February 29, 2012, Executive Branch Decree No. 274/12 was published regulating the Rural Land Law. The aforementioned decree established a deadline of 60 days to the provinces to report the total area of their departments, municipalities or political divisions equivalent discriminating rural and urban land and rural properties subject to the Rural Land Law and consequently owned by Foreign Persons. Additionally, provinces should report the complete list of foreign companies registered in their respective jurisdictions. The decree also provides that foreign holders must report their holdings within 180 days from the date of enactment of regulations in the national register of rural land.

In addition, on June 30, 2016, Executive Branch Decree No. 820/16 was published modifying the Executive Branch Decree No. 274/12. For the purpose of determining the ownership of the rural land, the Decree No. 820/16 defines how to compute the acquisition of rural land, when they occur as a result of transfers of share packages and how soon transfer; and solves how to estimate equivalence with respect to the core area, depending on the limits for each type of exploitation, municipality, department and province.

We cannot assure you that these or other measures, that may be adopted by the Argentine government in the future, such as further restrictions or regulations, will not have a material adverse effect on our operations, if our access to the acquisition or holding of our actual or future properties is limited.

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

Until December 2015, many foreign exchange restrictions and controls imposed by the Argentine government had limited the ability of companies and individuals to access the Exchange Market. On December 16, 2015, the new authorities issued Communication “A” 5850 of the Central Bank, lifting most of the restrictions then in place. Among these measures, free access to the Exchange Market was granted for the purchase of foreign currency intended for general purposes, without the need for the Central Bank’s or AFIP’s previous consent, and the requirement to deposit 30% of certain capital inflows into Argentina was eliminated, subsequently extended by Communication “A” 5963 and 5964. Also, on August 8, 2016, the Central Bank issued Communication “A” 6037, in which the exchange regulations, including the obligation was removed substantially redefined to justify with documentation each change operation, the daily and monthly to operate caps were removed to internet banking and exchange freely chosen schedule to operate and Communication a “4805” limiting repealed was allowed conducting derivative transactions with foreign countries, risks denying coverage to many companies, especially small- and medium-seized enterprises.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Risks Relating to Brazil

The Brazilian government has exercised and continues to exercise significant influence over the Brazilian economy, which combined with Brazil's political and economic conditions may adversely affect us.

Our business is dependent to a large extent on the economic conditions in Brazil. From June 30, 2011 we consolidate our financial statements with our subsidiary Brasilagro-Companhia Brasileira de Propiedades Agricolas ("Brasilagro").

We may be adversely affected by the following factors, as well as the Brazilian federal government's response to these factors:

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economic and social instability;

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increase in interest rates;

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exchange controls and restrictions on remittances abroad;

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restrictions and taxes on agricultural exports;

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exchange rate fluctuations;

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inflation;

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volatility and liquidity in domestic capital and credit markets;

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expansion or contraction of the Brazilian economy, as measured by GDP growth rates;

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allegations of corruption against political parties, elected officials or other public officials, including allegations made in relation to the Lava Jato investigation;

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government policies related to our sector;

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fiscal or monetary policy and amendments to tax legislation; and

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other political, diplomatic, social or economic developments in or affecting Brazil.

Historically, the Brazilian government has frequently intervened in the Brazilian economy and has occasionally made significant changes in economic policies and regulations, including, among others, the imposition of a tax on foreign capital entering Brazil (IOF tax), changes in monetary, fiscal and tax policies, currency devaluations, capital controls and limits on imports.We cannot predict which policies will be adopted by the Brazilian government and whether these policies will negatively affect the economy or our business or financial performance.

The Brazilian economy has been experiencing a slowdown – GDP growth rates were 3.9%, 1.8%, 2.7%, 0.1%, in 2011, 2012, 2013, 2014, respectively, and decrease 3.8% in 2015, and 4.6% in the first six months of 2016. In addition, inflation, unemployment and interest rates have increased more recently. Our results of operations and financial condition may be adversely affected by the economic conditions in Brazil.

In addition to the recent economic crisis, protests, strikes and corruption scandals, including the "Lava Jato" investigation, has led to a fall in confidence and a political crisis. As a result of the Lava Jato, a number of senior politicians, including congressmen, and executive officers of some of the major state-owned companies in Brazil have resigned or been arrested while others are being investigated for allegations of unethical and illegal conduct. The matters that have come, and may continue to come, to light as a result of, or in connection with, the Lava Jato operation and other similar operations have adversely affected, and we expect that they will continue to adversely affect, the Brazilian economy, markets and trading prices of securities issued by Brazilian issuers in the near future.

On August 31, 2016, the Senate approved the impeachment of Dilma Rousseff, and the Vice-President Michel Temer took office. On September 12, 2016, the former Speaker of the House of Representatives, Eduardo Cunha, had his mandate revoked the House and lost his political rights for eight years. The new President intends to implement some reforms, including in the labor laws and social security systems, and some other measures to achieve higher rates of economic growth and employment. We cannot predict which policies will be adopted by the Brazilian government and whether these policies will negatively affect the economy or Brasilagro's business or results of its operations. In addition, we cannot predict whether the new government may become involved in corruption scandals or may face an increasing lack of support from Brazilian citizens, both of which may make it more difficult to implement new policies and increase the political and economic instability in Brazil. Such increase in instability or the new policies to be implemented by the new government (or the failure to implement them) may have an adverse effect in the Brazilian economy and in our financial performance.

The economic and political crisis have resulted in the downgrading of the country's long-term credit rating from Standard & Poor's rating agency from BBB + to BBB-, placing Brazil back to speculative investment grade level ("junk"). Moody's downgraded Brazil from "Baa2" to "Baa3" and changed the negative perspective to stable, while Fitch Ratings downgraded Brazil from BBB to BBB- and changed the perspective from stable to negative. Both Moody's and Fitch still consider Brazil investment grade. Further downgrading of Brazil's ratings by any of these agencies may adversely affect us and the stock price of our securities.

Inflation, coupled with the Brazilian government's measures to fight inflation, may hinder Brazilian economic growth and increase interest rates, which could have a material adverse effect on us.

Brazil has in the past experienced significantly high rates of inflation. As a result, the Brazilian government adopted monetary policies that resulted in Brazilian interest rates being among the highest in the world. The Brazilian Central Bank's Monetary Policy Committee (Comitê de Política Monetária do Banco Central, or "COPOM", as per its acronym in Portuguese), establishes an official interest rate target for the Brazilian financial system based on the level of economic growth, inflation rate and other economic indicators in Brazil. Between 2004 and 2010, the official Brazilian interest rate varied from 19.75% to 8.75% per year. In response to an increase in inflation in 2010, the Brazilian government increased the official Brazilian interest rate, the SELIC rate, which was 10.75% per year on December 31, 2010. The SELIC rate has increased since then and, as of June 30, 2016, it was 14.15% per year. The inflation rates, as measured by the General Market Price Index (Índice Geral de Preços-Mercado or "IGP-M", as per its acronym in Portuguese), and calculated by Fundação Getúlio Vargas, or "FGV", were 7.8% in 2012, 5.5% in 2013, 3.67% in 2014 and 10,54% in 2015. Cumulative inflation in the first six months of 2016, calculated by the same index, was 5.91%.

Inflation and the government measures to fight inflation have had and may continue to have significant effects on the Brazilian economy and our business. In addition, the Brazilian government's measures to control inflation have often included maintaining a tight monetary policy with high interest rates, thereby restricting the availability of credit and slowing economic growth. On the other hand, an easing of monetary policies of the Brazilian government may trigger increases in inflation. In the event of an increase in inflation, we may not be able to adjust our daily rates to offset the effects of inflation on our cost structure, which may materially and adversely affect us.

An increase in interest rates may have a significant adverse effect on us. In addition, as of June 30, 2016, certain of our loans were subject to interest rate fluctuations such as the Brazilian long-term interest rate (Taxa de Juros de Longo Prazo or "TJLP", as per its acronym in Portuguese), and the interbank deposit rate (Certificados de Depósitos Interbancários or "CDI", as per its acronym in Portuguese). In the event of an abrupt increase in interest rates, our ability to comply with our financial obligations may be materially and adversely affected.

The Brazilian Real is subject to depreciation and exchange rate volatility which could adversely affect Brasilagro's and our financial condition and results of operations.

Brazil's rate of inflation and the government's actions to combat inflation have also affected the exchange rate between the Real and the U.S. Dollar. As a result of inflationary pressures, the Brazilian currency has been devalued periodically during the last four decades. Throughout this period, the Brazilian federal government has implemented various economic plans and utilized a number of exchange rate policies, including sudden devaluations, periodic devaluations (during which the frequency of adjustments has ranged from daily to monthly), floating exchange rate systems, exchange controls and dual exchange rate markets. During 2009 and 2010 the Real appreciated 24.9% and 4.6%, respectively, against the U.S. Dollar. As a contrast, during 2012 and 2013 the Real depreciated 13.3%, 9.6% and 15.5%, respectively, against the U.S. Dollar. In February, 2014, Brazilian Government started to devaluate its currency, causing the Real to suffer the steepest depreciation in over a decade in its attempt to increase exports. Between January 2016 and August 2016 the Real appreciated 19.8%%.There can be no assurance that the rate of exchange between the Real and the U.S. Dollar will not fluctuate significantly in the future. In the event of a devaluation of the Real, the financial condition and results of operations of our Brazilian subsidiary could be adversely affected. In addition, during September 2015, Standard & Poor's downgraded Brazil's credit rating to BB-plus and during October 2015, Fitch Ratings downgraded Brazil's credit rating to BBB-, which triggers funds that target investment-grade countries to sell its holdings in Brazil. As of August 2016, the Bovespa has increased 71,25% in U.S. Dollars terms during the year.

Depreciation of the Real relative to the U.S. Dollar may increase the cost of servicing foreign currency-denominated debt that our subsidiary may incur in the future, which could adversely affect our financial condition and results of operations. In addition, depreciation of the Real creates additional inflationary pressures in Brazil that may adversely affect our results of operations. Depreciation generally curtails access to international capital markets and may prompt government intervention. It also reduces the U.S. Dollar value of Brasilagro's revenues, distributions and dividends, and the U.S. Dollar equivalent of the market price of our common shares. On the other hand, the appreciation of the Real against the U.S. Dollar may lead to the deterioration of Brazil's public accounts and balance of payments, as well as to lower economic growth from exports, which could impact the results of our subsidiary Brasilagro.

A deterioration in general economic and market conditions or in perceptions of risk in other countries, principally in emerging countries or the United States, may have a negative impact on the Brazilian economy and us.

Economic and market conditions in other countries, including United States, Latin American and other emerging market countries, may affect the Brazilian economy and the market for securities issued by Brazilian companies. Although economic conditions in these countries may differ significantly from those in Brazil, investors' reactions to developments in these other countries may have an adverse effect on the market value of securities of Brazilian issuers. Crises in other emerging market countries could dampen investor enthusiasm for securities of Brazilian issuers, including ours, which could adversely affect the market price of our common shares. In the past, the adverse development of economic conditions in emerging markets resulted in a significant flow of funds out of the country and a decrease in the quantity of foreign capital invested in Brazil. Changes in the prices of securities of public companies, lack of available credit, reductions in spending, general slowdown of the global economy, exchange rate instability and inflationary pressure may adversely affect, directly or indirectly, the Brazilian economy and securities market. The recent global economic downturn and related instability in the international financial system have had, and may continue to have, a negative effect on economic growth in Brazil. The ongoing global economic downturn has reduced the availability of liquidity and credit to fund the continuation and expansion of business operations worldwide. The recent substantial losses in worldwide equity markets, including in Brazil, could lead to an extended worldwide economic recession or depression.

In addition, the Brazilian economy is affected by international economic and market conditions generally, especially economic conditions in the United States. Share prices on BM&FBOVESPA, for example, have historically been sensitive to fluctuations in U.S. interest rates and the behavior of the major U.S. stock indexes. An increase in the interest rates in other countries, especially the United States, may reduce global liquidity and investors' interest in the Brazilian capital markets, adversely affecting the price of our common shares.

The Brazilian government imposes certain restrictions on currency conversions and remittances abroad which could affect the timing and amount of any dividend or other payment we receive.

Brazilian law guarantees foreign shareholders of Brazilian companies the right to repatriate their invested capital and to receive all dividends in foreign currency provided that their investment is registered with the Banco Central do Brazil. We registered our investment in Brasilagro with the Brazilian Central Bank on April 28, 2006. Although dividend payments related to profits obtained subsequent to January 1, 1996 are not subject to income tax, if the sum of repatriated capital and invested capital exceeds the investment amount registered with the Brazilian Central Bank, repatriated capital is subject to a capital gains tax of 15%. There can be no assurance that the Brazilian government will not impose additional restrictions or modify existing regulations that would have an adverse effect on an investor's ability to repatriate funds from Brazil nor can there be any assurance of the timing or duration of such restrictions, if imposed in the future.

Widespread uncertainties, corruption and fraud relating to ownership of real estate may adversely affect our business.

There are widespread uncertainties, corruption and fraud relating to title ownership of real estate assets in Brazil. In Brazil, ownership of real property is conveyed through filing of deeds before the relevant land registry. In certain cases, land registry recording errors, including duplicate and/or fraudulent entries, and deed challenges frequently occur, leading to judicial actions. Disputes over title ownership of real estate assets are frequent, and, as a result, there is a risk that errors, fraud or challenges could adversely affect us, causing the loss of all or substantially all of our properties.

In addition, our land may be subject to expropriation by the Brazilian government. An expropriation could materially impair the normal use of our lands or have a material adverse effect on our results of operations. In addition, social movements, such as Movimento dos Trabalhadores Rurais Sem Terra and Comissão Pastoral da Terra and the Argentinean Rural Land Law, among others, are active in Brazil. Such movements advocate land reform and mandatory property redistribution by the government. Land invasions and occupations of rural areas by a large number of individuals is common practice for these movements, and, in certain areas, including some of those in which we are likely to invest, police protection and effective eviction proceedings are not available to land owners. As a result, we cannot give you any assurance that Brasilagro properties will not be subject to invasion or occupation by these groups. A land invasion or occupation could materially impair the normal use of Brasilagro lands or have a material adverse effect on us or the value of our common shares or ADSs.

The lack of efficient transportation, and adequate storage or handling facilities in certain of the regions in which Brasilagro operates may have a material adverse effect on our business.

One of the principal disadvantages of the agriculture industry in some of the regions where Brasilagro operates is that they are located far from major ports (in some cases, up to 1,500 kilometers). Efficient access to transportation infrastructure and ports is critical to profitability in the agricultural industry. However, as part of our business strategy, we intend to acquire and develop land in specific areas where existing transportation is poor. A substantial portion of agricultural production in certain of the regions where we operate is currently transported by truck, a means of transportation significantly more expensive than the rail transportation available to the U.S. and other foreign countries. As a result, we may be unable to provide cost-efficient production to our potential most important markets, and this could have an adverse effect on our business and results of our operations.

Risks Relating to Our Region

Our business is dependent on economic conditions in the countries where we operate or intend to operate.

We have made investments in farmland in Argentina, Brazil, Paraguay and Bolivia and we may possibly make investments in other countries in and outside Latin America. Owing that demand for livestock and agricultural products is usually correlated to economic conditions prevailing in the local market, which in turn is dependent on the macroeconomic condition of the country in which the market is located, our financial condition and results of operations are, to a considerable extent, dependent upon political and economic conditions prevailing from time to time in the countries where we operate. Latin American countries have historically experienced uneven periods of economic growth, as well as recession, periods of high inflation and economic instability. Certain countries have experienced severe economic crises, which may still have future effects. As a result, governments may not have the necessary financial resources to implement reforms and foster growth. Any of these adverse economic conditions could have a material adverse effect on our business.

We face the risk of political and economic crises, instability, terrorism, civil strife, expropriation and other risks of doing business in emerging markets.

In addition to Argentina and Brazil, we conduct or intend to conduct our operations in other Latin-American countries such as, Paraguay and Bolivia, among others. Economic and political developments in the countries in which we operate, including future economic changes or crisis (such as inflation or recession), government deadlock, political instability, terrorism, civil strife, changes in laws and regulations, expropriation or nationalization of property, and exchange controls could adversely affect our business, financial condition and results of operations.

Although economic conditions in one country may differ significantly from another country, we cannot assure that events in one only country will not adversely affect our business or the market value of, or market for, our common shares and/or ADSs.

Governments in the countries where we operate or intend to operate exercise significant influence over their economies.

Emerging market governments, including governments in the countries where we operate, frequently intervene in the economies of their respective countries and occasionally make significant changes in policy and regulations. Governmental actions to control inflation and other policies and regulations have often involved, among other measures, price controls, currency devaluations, capital controls and limits on imports. Our business, financial condition, results of operations and prospects may be adversely affected by changes in government policies or regulations, including factors, such as:

- exchange rates and exchange control policies;
- inflation rates;
- interest rates;
- tariff and inflation control policies;
- import duties on information technology equipment;
- liquidity of domestic capital and lending markets;
- electricity rationing;
- tax policies; and
- other political, diplomatic, social and economic developments in or affecting the countries where we intend to operate.

An eventual reduction of foreign investment in any of the countries where we operate may have a negative impact on such country's economy, affecting interest rates and the ability of companies to access financial markets.

Local currencies used in the conduct of our business are subject to exchange rate volatility and exchange controls.

The currencies of many Latin American countries have experienced substantial volatility in recent years. Currency movements, as well as higher interest rates, have materially and adversely affected the economies of many Latin American countries, including countries in which account for or are expected to account for a significant portion of our revenues. The depreciation of local currencies creates inflationary pressures that may have an adverse effect on us generally, and may restrict access to international capital markets. On the other hand, the appreciation of local currencies against the U.S. Dollar may lead to deterioration in the balance of payments of the countries where we operate, as well as to a lower economic growth.

In addition, we may be subject to exchange control regulations in these Latin American countries which might restrict our ability to convert local currencies into U.S. Dollars.

Inflation and certain government measures to curb inflation may have adverse effects on the economies of the countries where we operate or intend to operate our business and our operations.

Most countries where we operate or intend to operate, historically, experienced high inflation rates. Inflation and some measures implemented to curb inflation have had significant negative effects on the economies of latin american countries. Governmental actions taken in an effort to curb inflation, coupled with speculation about possible future actions, have contributed to economic uncertainty at times in most latin american countries. The countries where we operate or intend to operate may experience high levels of inflation in the future that could lead to further government intervention in the economy, including the introduction of government policies that could adversely affect our results of operations. In addition, if any of these countries experience high rates of inflation, we may not be able to adjust the price of our services sufficiently to offset the effects of inflation on our cost structures. A high inflation environment would also have negative effects on the level of economic activity and employment and adversely affect our business and results of operations.

Developments in other markets may affect the Latin American countries where we operate or intend to operate, and as a result our financial condition and results of operations may be adversely affected.

The market value of securities of companies such as us may be, to varying degrees, affected by economic and market conditions in other global markets. Although economic conditions vary from country to country, investors' perception of the events occurring in one country may substantially affect capital flows into and securities from issuers in other countries, including latin american countries. Various Latin American economies have been adversely impacted by the political and economic events that occurred in several emerging economies in recent times. Furthermore, Latin American economies may be affected by events in developed economies which are trading partners or that impact the global economy and adversely affect our activities and the results of our operations.

Land in Latin American countries may be subject to expropriation or occupation.

Our land may be subject to expropriation by the governments of the countries where we operate and intend to operate. An expropriation could materially impair the normal use of our lands or have a material adverse effect on our results of operations. In addition, social movements, such as Movimento dos Trabalhadores Rurais Sem Terra and Comissão Pastoral da Terra in Brazil, are active in certain countries where we operate or intend to operate. Such movements advocate land reform and mandatory property redistribution by governments. Invasions and occupations of rural areas by a large number of individuals is common practice for these movements, and, in certain areas, including some of those in which we are likely to invest, police protection and effective eviction proceedings are not available to land owners. As a result, we cannot assure you that our properties will not be subject to invasion or occupation. A land invasion or occupation could materially affect the normal use of our properties or have a material adverse effect on us or the value of our common shares and our ADSs.

We may invest in countries other than Argentina and Brazil and cannot give you any assurance as to the countries in which we will ultimately invest, and we could fail to list all risk factors for each possible country.

We have a broad and opportunistic business strategy therefore we may invest in countries other than Argentina and Brazil including countries in other emerging markets outside latin america (e.g., Africa). As a result, it is not possible at this time to identify all risk factors that may affect our future operations and the value of our common shares and ADSs.

Risks Relating to Our Business

Fluctuation in market prices for our agriculture products could adversely affect our financial condition and results of operations.

Prices for cereals, oilseeds and by-products, like those of other commodities, can be expected to fluctuate significantly. The prices that we are able to obtain for our agriculture products depend on many factors beyond our control, including:

- prevailing world prices, which historically have been subject to significant fluctuations over relatively short periods of time, depending on worldwide demand and supply;
- changes in the agricultural subsidy levels in certain important countries (mainly the United States and countries in the European Union) and the adoption of other government policies affecting industry market conditions and prices; and
- demand for and supply of competing commodities and substitutes.

Our financial condition and results of operations could be materially and adversely affected if the prices of our agricultural products decline.

Unpredictable weather conditions may have an adverse impact on our crop yields and cattle production.

The occurrence of severe adverse weather conditions, especially droughts, hail, or floods, is unpredictable and may have a potentially devastating impact upon our crop production and, to a lesser extent, our cattle and wool production. The occurrence of severe adverse weather conditions may reduce yields on our farmlands or require us to increase our level of investment to maintain yields.

According to the United States Department of Agriculture ("USDA") estimates, Argentina's crops output (wheat, corn and soybean) for the 2016/2017 season is expected to increse by 12.3%, reaching a production of 108 million tons, as compared to the previous cycle. The forecast shows mainly an increase in the planted area, with a focus on wheat and corn, which is additionally enhanced by a slightly better expected yield in comparison with the 2015/2016 campaign. The estimated production of soybean is supposed to reach 57 million tons, the wheat production 14.4 million tons and the corn production 36.5 million tons.

We cannot assure you that the current and future severe adverse weather conditions will not adversely affect our operating results and financial condition.

Diseases may strike our crops without warning potentially destroying some or all of our yields.

The occurrence and effect of crop disease and pestilence can be unpredictable and devastating to crops, potentially destroying all or a substantial portion of the affected harvests. Even when only a portion of the crop is damaged, our results of operations could be adversely affected because all or a substantial portion of the production costs for the entire crop have been duly incurred. Although some crop diseases are treatable, the cost of treatment is high, and we cannot assure that such events in the future will not adversely affect our operating results and financial condition.

Our cattle are subject to diseases.

Diseases among our cattle herds, such as tuberculosis, brucellosis and foot-and-mouth disease, can have an adverse effect on milk production and fattening, rendering cows unable to produce milk or meat for human consumption. Outbreaks of cattle diseases may also result in the closure of certain important markets, such as the United States, to our cattle products. Although we abide by national veterinary health guidelines, which include laboratory analyses and vaccination, to control diseases among the herds, especially foot-and-mouth disease, we cannot assure that future outbreaks of cattle diseases will not occur. A future outbreak of diseases among our cattle herds may adversely affect our cattle and milk sales which could adversely affect our operating results and financial condition.

We may be exposed to material losses due to volatile crop prices since a significant portion of our production is not hedged, and exposed to crop price risk.

Due to the fact that we do not have all of our crops hedged, we are unable to have minimum price guarantees for all of our production and are therefore exposed to significant risks associated with the level and volatility of crop prices. We are subject to fluctuations in crop prices which could result in receiving a lower price for our crops than our production cost. We are also subject to exchange rate risks related to our crops that are hedged, because our futures and options positions are valued in U.S. Dollars, and thus are subject to exchange rate risk.

In addition, if severe weather or any other disaster generates a lower crop production than the position already sold in the market, we may suffer material losses in the repurchase of the sold contracts.

The creation of new export taxes may have an adverse impact on our sales and results of operations.

In order to prevent inflation and variations in the exchange rate from adversely affecting prices of primary and manufactured products (including agricultural products), and to increase tax collections and reduce Argentina's fiscal deficit, the Argentine government has imposed new taxes on exports. Pursuant to Resolution No. 11/02 of the Ministry of Economy and Production, as amended by Resolution No. 35/02, No. 160/2002, No. 307/2002 and No. 530/2002, effective as of March 5, 2002, the Argentine government imposed a 20%, 10% and 5% export tax on primary and manufactured products. On November 12, 2005, pursuant to Resolution No. 653/2005, the Ministry of Economy and Production increased the tax on cattle exports from 5% to 10%, and on January 2007 increased the tax on soybean exports from 23.5% to 27.5%. Pursuant to Resolutions No. 368/07 and No. 369/07 both dated November 12, 2007, the Ministry of Economy and Production further increased the tax on soybean exports from 27.5% to 35.0% and also the tax on wheat and corn exports from 20.0% to 28.0% and from 20.0% to 25.0%, respectively. In early March 2008, the Argentine government introduced a regime of sliding –scale export tariffs for oilseed, grains and by-products, where the withholding rate (in percentage) would increase to the same extent as the crops' price. Therefore, it imposed an average tax for soybean exports of 46%, compared to the previous fixed rate of 35%. In addition, the tax on exports of wheat was increased, from a fixed rate of 28% to an average variable rate of 38%, and the tax on exports of corn changed from a fixed rate of 25% to an average variable rate of 36%. This tariff regime, which according to farmers effectively sets a maximum price for their crops, sparked widespread strikes and protests by farmers whose exports have been one of the principal driving forces behind Argentina's recent growth. In April 2008, as a result of the export tariff regime, farmers staged a 21-day strike in which, among other things, roadblocks were set up throughout the country, triggering Argentina's most significant political crisis in five years. These protests disrupted transport and economic activity, which led to food shortages, a surge in inflation and a drop in export registrations. Finally, the federal executive branch decided to send the new regime of sliding-scale export tariffs to the federal congress for its approval. The project was approved in the lower chamber of the national congress but rejected by the Senate. Subsequently, the federal government abrogated the regime of sliding-scale export tariffs and reinstated the previous scheme of fixed withholdings.

In December 2015, the government of Mauricio Macri announced the reduction of 35 to 30% of export duties on soybean and the removing of all of the export duties for the rest of the products. To the date, the Argentine government is analyzing the possibility of reducing again the tax for soybean exports.

Export taxes may have a material adverse effect on our sales and results of operations. We produce exportable goods and, therefore, an increase in export taxes is likely to result in a decrease in our products' price, and, therefore, may result in a decrease of our sales. We cannot guarantee the impact of those or any other future measures that might be adopted by the Argentine government on our financial condition and result of operations.

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

The most recent international credit crisis that started in 2008 had a significant negative impact on businesses around the world. Although we believe that available borrowing capacity under the current conditions and proceeds resulting from potential farmland sales will provide us with sufficient liquidity through the current economic environment, the impact of the crisis on our major customers cannot be predicted and may be quite severe. A disruption in the ability of our significant customers to access liquidity could cause serious disruptions or an overall deterioration of their businesses which could lead to a reduction in their future orders of our products and the inability or failure on their part to meet their payment obligations to us, any of which could have a material adverse effect on our results of operations and liquidity.

Government intervention in the markets may have a direct impact on our prices.

The Argentine government has set certain industry market conditions and prices in the past. In order to prevent a substantial increase in the price of basic products as a result of inflation, the Argentine government is adopting an interventionist policy. In March 2002, the Argentine government fixed the price for milk after a conflict among producers and the government. Since 2005, the Argentine government, in order to increase the domestic availability of beef and reduce domestic prices, adopted several measures: it increased turnover tax and established a minimum average number of animals to be slaughtered. In March 2006, the registries for beef exports were temporarily suspended. This last measure was softened once prices decreased. There can be no assurance that the Argentine government will not interfere in other areas by setting prices or regulating other market conditions. Accordingly, we cannot assure you that we will be able to freely negotiate all our products' prices in the future or that the prices or other market conditions that the Argentine government could impose will allow us to freely negotiate the price of our products.

We do not maintain insurance over all our crop storage facilities; therefore, if a fire or other disaster damages some or all of our harvest, we will not be completely covered.

We store a significant portion of our grain production during harvest due to the seasonal drop in prices that normally occurs at that time. Currently, we store a significant portion of our grain production in plastic silos. We do not maintain insurance on our plastic silos. Although our plastic silos are placed in several different locations, and it is unlikely that a natural disaster affects all of them simultaneously, a fire or other natural disaster which damages the stored grain, particularly if such event occurs shortly after harvesting, could have an adverse effect on our operating results and financial condition.

Worldwide competition in the markets for our products could adversely affect our business and results of operations.

We experience substantial worldwide competition in each of our markets in which we operate, and in many of our product lines. The market for cereals, oil seeds and by-products is highly competitive and also sensitive to changes in industry capacity, producer inventories and cyclical changes in the world's economies, any of which may significantly affect the selling prices of our products and thereby our profitability. Argentina is more competitive in the oilseed market than in the market for cereals. Due to the fact that many of our products are agricultural commodities, they compete in the international markets almost exclusively on the basis of price. Many other producers of these products are larger than us, and have greater financial and other resources. Moreover, many other producers receive subsidies from their respective countries while we do not receive any such subsidies from the Argentine government. These subsidies may allow producers from other countries to produce at lower costs than us and/or endure periods of low prices and operating losses for longer periods than we can. Any increased competitive pressure with respect to our products could materially and adversely affect our financial condition and results of operations.

Social movements may affect the use of our agricultural properties or cause damage to them.

Social movements such as the Landless Rural Workers' Movement (Movimento dos Trabalhadores Rurais Sem Terra) and the Pastoral Land Commission (Comissão Pastoral da Terra) are active in Brazil and advocate land reform and property redistribution by the Brazilian government. Invasion and occupation of agricultural land by large numbers of people is a common practice among the members of such movements and, in certain regions, including those where we currently invest, remedies such as police protection or eviction procedures are inadequate or non-existent. As a result, we cannot assure you that our agricultural properties will not be subject to invasion or occupation by any social movement. Any invasion or occupation may materially impair the use of our lands and adversely affect our business, financial condition, and results of operations.

If we are unable to maintain our relationships with our customers, particularly with the single customer who purchases our entire raw milk production each month, our business may be adversely affected.

Our cattle sales are diversified, notwithstanding the aforementioned, we are and will continue to be significantly dependent on a number of third party relationships, mainly with our customers for crop and milk sales. During the fiscal year 2016, we sold our products to approximately 850 customers. Sales of agricultural products to our ten largest customers represented approximately 72% of our net sales for the fiscal year ended June 30, 2016. During fiscal year 2016, our biggest three customers were Bunge Argentina S. A., Cargill S.A.C.I. and Vicentin S.A.I.C. which represented, in the aggregate, approximately 31% of our net sales in agricultural products, while the remaining seven customers in the aggregate represented approximately 41% of our net sales in the fiscal year 2016.

We sell our crop production mainly to exporters and manufacturers that process the raw materials to produce meal and oil, products that are sent to the export markets. The Argentine crop market is characterized by a few purchasers and a great number of sellers. Although most of the purchasers are international companies with strong financial conditions, we cannot assure you that this situation will remain the same in the future or this market will not get more concentrated in the future.

We may not be able to maintain or form new relationships with customers or others who provide products and services that are important to our business. Accordingly, we cannot assure you that our existing or prospective relationships will result in sustained business or the generation of significant revenues.

Our business is seasonal, and our revenues may fluctuate significantly depending on the growing cycle.

Our agricultural business is highly seasonal due to its nature and cycle. The harvest and sale of crops (corn, soybean and sunflower) generally occurs from February to June. Wheat is harvested from December to January. Our operations and sales are affected by the growing cycle of the crops we process and by decreases during the summer in the price of the cattle we fatten. As a result, our results of operations have varied significantly from period to period, and are likely to continue to vary, due to seasonal factors.

The restrictions imposed on our subsidiaries' dividend payments may adversely affect us.

We have subsidiaries, and therefore, dividends in cash and other permitted payments of our subsidiaries constitute a major source of our income. The debt agreements of our subsidiaries contain covenants that may restrict their ability to pay dividends or proceed with other types of distributions. If our subsidiaries are prevented from making payments to us or if they are only allowed to pay limited amounts, we may be unable to pay dividends or to repay our indebtedness.

Our principal shareholder has the ability to direct our business and affairs, and its interests could conflict with ours.

As of June 30, 2016, Mr. Eduardo S. Elsztain, is the beneficial owner of 30.88% (on a fully diluted basis) of our common shares. As a result of his significant influence over us, Mr. Elsztain, by virtue of his position in IFISA, has been able to elect a majority of the members of our board of directors, direct our management and determine the result of substantially all resolutions that require shareholders' approval, including fundamental corporate transactions and our payment of dividends by us.

The interests of our principal shareholder and management may differ from, and could conflict with, those of our other shareholders. Pursuant to a consulting agreement we pay a management fee equal to 10% of our annual net income to Consultores Asset Management S.A., formerly known as Dolphin Fund Management S.A. ("Consultores Asset Management"), a company whose capital stock is 85% owned by Mr. Eduardo S. Elsztain and the remaining by Saúl Zang, our vice-chairman. This performance based fee could be viewed as an incentive for Consultores Asset Management to favor riskier or more speculative investments than would otherwise be the case. In addition, as of June 30, 2016 Mr. Elsztain was the beneficial owner, due to his indirect shareholding through us of 63.38% of IRSA (without considering treasury shares), an Argentine company that currently owns approximately 94.61% of the common shares of its subsidiary IRSA Commercial Properties whose chief executive officer is Mr. Alejandro G. Elsztain, Mr. Eduardo S. Elsztain's brother. We cannot assure you that our principal shareholders will not cause us to forego business opportunities that their affiliates may pursue or to pursue other opportunities that may not be in our interest, all of which may adversely affect our business, results of operations and financial condition and the value of our common shares and the ADSs.

We could be materially and adversely affected by our investment in Brasilagro.

We consolidated our financial statements with our subsidiary Brasilagro. Brasilagro was formed on September 23, 2005 to exploit opportunities in the Brazilian agricultural sector. Brasilagro seeks to acquire and develop future properties to produce a diversified range of agricultural products (which may include sugarcane, grains, cotton, forestry products and livestock). Brasilagro is a startup company that has been operating since 2006. As a result, it has a developing business strategy and limited track record. Brasilagro's business strategy may not be successful, and if not successful, Brasilagro may be unable to successfully modify its strategy. Brasilagro's ability to implement its proposed business strategy may be materially and adversely affected by many known and unknown factors. If we were to write-off our investments in Brasilagro, this would likely materially and adversely affect our business. As of June 30, 2016, we owned 39.76% of the outstanding common shares of Brasilagro.

We are subject to extensive environmental regulation.

Our activities are subject to a wide set of federal, state and local laws and regulations relating to the protection of the environment, which impose various environmental obligations. Obligations include compulsory maintenance of certain preserved areas in our properties, management of pesticides and associated hazardous waste and the acquisition of permits for water use. Our proposed business is likely to involve the handling and use of hazardous materials that may cause the emission of certain regulated substances. In addition, the storage and processing of our products may create hazardous conditions. We could be exposed to criminal and administrative penalties, in addition to the obligation to remedy the adverse effects of our operations on the environment and to indemnify third parties for damages, including the payment of penalties for non-compliance with these laws and regulations. Since environmental laws and their enforcement are becoming more stringent in Argentina, our capital expenditures and expenses for environmental compliance may substantially increase in the future. In addition, due to the possibility of future regulatory or other developments, the amount and timing of environmental-related capital expenditures and expenses may vary substantially from those currently anticipated. The cost of compliance with environmental regulation may result in reductions of other strategic investments which may consequently decrease our profits. Any material unforeseen environmental costs may have a material adverse effect on our business, results of operations, financial condition or prospects.

As of June 30, 2016, we owned land reserves extending over more than 365,306 hectares that were purchased at very attractive prices. In addition, we have a concession over 107,984 hectares reserved for future development. We believe that there are technological tools available to improve productivity in these farmlands and, therefore, achieve appreciation in the long term. However, current or future environmental regulations could prevent us from fully developing our land reserves by requiring that we maintain part of this land as natural woodlands not to be used for production purposes.

Increased energy prices and fuel shortages could adversely affect our operations.

We require substantial amounts of fuel oil and other resources for our harvest activities and transport of our agricultural products. We rely upon third parties for our supply of the energy resources consumed in our operations. The prices for and availability of energy resources may be subject to change or curtailment, respectively, due to, among other things, new laws or regulations, imposition of new taxes or tariffs, interruptions in production by suppliers, worldwide price levels and market conditions. The prices of various sources of energy may increase significantly from current levels. An increase in energy prices could materially adversely affect our results of operations and financial condition.

We depend on our chairman and senior management.

Our success depends, to a significant extent, on the continued employment of Mr. Eduardo S. Elsztain, our chairman, and Alejandro G. Elsztain, our chief executive officer, and second vice-chairman. The loss of their services for any reason could have a material adverse effect on our business. If our current principal shareholders were to lose their influence on the management of our business, our principal executive officers could resign or be removed from office.

Our future success also depends in part upon our ability to attract and retain other highly qualified personnel. We cannot assure you that we will be successful in hiring or retaining qualified personnel, or that any of our personnel will remain employed by us.

The Investment Company Act may limit our future activities.

Under Section 3(a)(3) of the Investment Company Act of 1940, as amended, an investment company is defined in relevant part to include any company that owns or proposes to acquire investment securities that have a value exceeding 40% of such company's unconsolidated total assets (exclusive of U.S. government securities and cash items). Investments in minority interests of related entities as well as majority interests in consolidated subsidiaries which themselves are investment companies are included within the definition of "investment securities" for purposes of the 40% limit under the Investment Company Act.

Companies that are investment companies within the meaning of the Investment Company Act, and that do not qualify for an exemption from the provisions, are required to register with the Securities and Exchange Commission and are subject to substantial regulations with respect to capital structure, operations, transactions with affiliates and other matters. In the event such companies do not register under the Investment Company Act, they may not, among other things, conduct public offerings of their securities in the United States or engage in interstate commerce in the United States. Moreover, even if we desired to register with the Securities and Exchange Commission as an investment company, we could not do so without an order of the Commission because we are a non-U.S. corporation, and it is unlikely that the Securities and Exchange Commission would issue such an order.

In recent years we made a significant investment in the capital stock of IRSA. As of June 30, 2016, we owned approximately 63.38% of IRSA's outstanding shares. Although we believe we are not an "investment company" for purposes of the Investment Company Act, our belief is subject to substantial uncertainty, and we cannot give you any assurance that we would not be determined to be an "investment company" under the Investment Company Act. As a result, the uncertainty regarding our status under the Investment Company Act may adversely affect our ability to offer and sell securities in the United States or to U.S. persons. The U.S. capital markets have historically been an important source of funding for us, and our ability to obtain financing in the future may be adversely affected by a lack of access to the U.S. markets. If an exemption under the Investment Company Act is unavailable to us in the future and we desire to access the U.S. capital markets, our only recourse would be to file an application to the SEC for an exemption from the provisions of the Investment Company Act which is a lengthy and highly uncertain process.

Moreover, if we offer and sell securities in the United States or to U.S. persons and we were deemed to be an investment company under the investment company act and not exempted from the application of the Investment Company Act, contracts we enter into in violation of, or whose performance entails a violation of, the Investment Company Act, including any such securities, may not be enforceable against us.

We hold Argentine securities which might be more volatile than U.S. securities and carry a greater risk of default.

We currently have and in the past have had certain investments in Argentine government debt securities, corporate debt securities, and equity securities. In particular, we hold a significant interest in IRSA, an Argentine company that has suffered material losses, particularly during the fiscal years 2001 and 2002. Although our holding of these investments, excluding IRSA, tends to be short term, investments in such securities involve certain risks, including:

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market volatility, higher than those typically associated with U.S. government and corporate securities; and

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loss of principal.

Some of the issuers in which we have invested and may invest, including the Argentine government, have in the past experienced substantial difficulties in servicing their debt obligations, which have led to the restructuring of certain indebtedness. We cannot assure that the issuers in which we have invested or may invest will not be subject to similar or other difficulties in the future which may adversely affect the value of our investments in such issuers. In addition, such issuers and, therefore, such investments, are generally subject to many of the risks that are described in this section with respect to us, and, thus, could have little or no value.

Risks relating to our investment in IRSA.

We could be adversely affected by our investment in IRSA if its value declines.

Our investment in IRSA is exposed to the common risks generally inherent in investments in the real estate industry, many of which are outside IRSA's control. Any of these risks could adversely and materially affect IRSA's businesses, financial position and/or results of operations. Any available returns on capital expenditures associated with real estate are dependent upon sales volumes and/or revenues from leases and the expenses incurred. In addition, there are other factors that may adversely affect the performance and the value of a property, including the local economic conditions prevailing in the area where the property is located, macroeconomic conditions in Argentina and in the rest of the world, competition from other companies engaged in real estate development, IRSA's ability to find lessees, non-performance by lessees and/or lease terminations, changes in legislation and in governmental regulations (including those governing the use of the properties, urban planning and real estate taxes), variations in interest rates (including the risk of an increase in interest rates causing a reduction in the sales of lots in properties intended for residential development) and the availability of funding. In addition, and given the relative illiquidity of the real estate market, IRSA could be unable to effectively respond to adverse market conditions and/or be compelled to undersell one or more of its properties. Broadly speaking, some significant expenses, such as debt services, real estate taxes and operating and maintenance costs do not fall when there are circumstances that reduce the revenues from an investment.

These factors and/or events could impair IRSA's ability to respond to adverse changes in the returns on its investments thus causing a significant reduction in its financial position and/or the results of its operations, which could have an adverse effect on our financial position and the results of our operations.

IRSA is subject to risks inherent to the operation of shopping centers that may affect its profitability.

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

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

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

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the intrinsic attractiveness of the shopping center;

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

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increasing competition from internet sales;

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

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

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fluctuations in occupancy levels in IRSA's shopping centers.

An increase in IRSA’s operating costs, caused by inflation or by other factors, could have a material adverse effect on IRSA if its tenants are unable to pay higher rent due to the increase in expenses. Moreover, the shopping center business is closely related to consumer spending and by prevailing economic conditions that affect potential customers. All of IRSA’s shopping centers and commercial properties, under Operations Center in Argentina, are located in Argentina, and, as a consequence, their business could be seriously affected by a recession in Argentina. For example, during the economic crisis in Argentina, spending decreased significantly, unemployment, political instability and inflation significantly reduced consumer spending in Argentina, lowering tenants’ sales and forcing some tenants to leave IRSA’s shopping centers. Persistently poor economic conditions in Argentina will likely have a material adverse effect on the revenues from shopping center activity and thus on IRSA’s business.

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

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

IRSA's performance is subject to risks associated with its properties and with the real estate industry.

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

Events or conditions beyond IRSA's control that may adversely affect its operations or the value of its properties include:

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downturns in the national, regional and local economic climate;

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volatility and decline in discretionary spending;

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

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

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decreases in consumption levels;

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changes in interest rates and availability of financing;

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

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

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

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

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

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

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

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

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

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

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

The success of IRSA's business and profitability of its operations depend on continued investment in the real estate sector and access to capital and debt financing. A long term crisis of confidence in real estate investments and lack of credit for acquisitions may tend to constrain our growth. As part of our business goals, IRSA intends to increase its properties portfolio though strategic acquisitions of core properties at advantageous prices, where IRSA believes it can bring the necessary expertise to enhance property values.

In order to pursue acquisitions, IRSA may need access to equity capital and/or debt financing. Any disruptions in the financial markets, including the bankruptcy and restructuring of major financial institutions, may adversely impact IRSA's ability to refinance existing debt and the availability and cost of credit in the near future. Any consideration of sales of existing properties or portfolio interests may be tempered by decreasing property values. IRSA's ability to make scheduled payments or to refinance its obligations with respect to indebtedness depends on its operating and financial performance, which in turn is subject to prevailing economic conditions. If a recurrence of the disruptions in financial markets remains or arises in the future, there can be no assurances that government responses to such disruptions will restore investor confidence, stabilize the markets or increase liquidity and the availability of credit.

IRSA may face risks associated with property acquisitions.

IRSA has in the past acquired, and intends to acquire in the future, properties, including large properties that would increase its size and potentially alter its capital structure. Although, IRSA believes that the acquisitions that it has completed in the past and that it expect to undertake in the future have, and will, enhance its future financial performance, the success of such transactions is subject to a number of uncertainties, including the risk that:

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IRSA may not be able to obtain financing for acquisitions on favorable terms;

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acquired properties may fail to perform as expected;

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the actual costs of repositioning or redeveloping acquired properties may be higher than our estimates; and

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acquired properties may be located in new markets where we may have limited knowledge and understanding of the local economy, absence of business relationships in the area or unfamiliarity with local governmental and permitting procedures.

If IRSA acquires new properties, it may not be able to efficiently integrate acquired properties, particularly portfolios of properties, into IRSA's organization and to manage new properties in a way that allows it to realize cost savings and synergies, which could impair the results of operations.

IRSA's future acquisitions may be unprofitable.

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

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

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properties IRSA acquires may fail to achieve, within the time frames it projects, the occupancy or rental rates it expects to achieve at the time it makes the decision to acquire, which may result in the properties' failure to achieve the returns that IRSA projected;

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

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

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

Acquired properties may subject IRSA to unknown liabilities.

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

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liabilities for clean-up of undisclosed environmental contamination;

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

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liabilities incurred in the ordinary course of business.

IRSA’s dependence on rental income may adversely affect its ability to meet its debt obligations.

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

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delay lease commencements;

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decline to extend or renew leases upon expiration;

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fail to make rental payments when due; or

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close stores or declare bankruptcy.

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

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

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

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

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

IRSA’s ability to grow will be limited if IRSA cannot obtain additional financing.

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

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

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

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

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

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

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

Argentine Law governing leases imposes restrictions that limit IRSA´s flexibility.

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

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

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

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

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

IRSA may be liable for some defects in its buildings.

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

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

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Eviction proceedings in Argentina are difficult and time consuming.

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

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

IRSA is subject to risks inherent to the operation of office buildings that may affect its profitability.

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

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a decrease in demand for office space;

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a deterioration in the financial condition of our tenants may result in defaults under leases due to bankruptcy, lack of liquidity or for other reasons;

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difficulties or delays renewing leases or re-leasing space;

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decreases in rents as a result of oversupply, particularly of newer buildings;

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competition from developers, owners and operators of office properties and other commercial real estate, including sublease space available from our tenants; and

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maintenance, repair and renovation costs incurred to maintain the competitiveness of IRSA's office buildings.

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

IRSA's investment in property development and management activities may be less profitable than we anticipate.

IRSA is a company engaged in the development and management of shopping centers, office buildings and other rental properties, frequently through third-party contractors. Risks associated with IRSA's development and management activities include the following, among others:

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abandonment of development opportunities and renovation proposals;

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construction costs of a project may exceed IRSA's original estimates for reasons including raises in interest rates or increases in the costs of materials and labor, making a project unprofitable;

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occupancy rates and rents at newly completed properties may fluctuate depending on a number of factors, including market and economic conditions, resulting in lower than projected rental rates and a corresponding lower return on our investment;

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pre-construction buyers may default on its purchase contracts or units in new buildings may remain unsold upon completion of construction;

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

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

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

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

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

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

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general changes in IRSA's tenants' demand for rental properties; and

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

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

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

IRSA is subject to great competitive pressure.

IRSA's real estate activities are highly concentrated in the Buenos Aires metropolitan area, where the real estate market is highly competitive due to a scarcity of properties in sought-after locations and the increasing number of local and international competitors.

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

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

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

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

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

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

An uninsured loss or a loss that exceeds the policies on IRSA's properties could subject to lost capital or revenue on those properties.

Under the terms and conditions of the leases currently in force on IRSA's properties, tenants are required to indemnify and hold harmless from liabilities resulting from injury to persons, or property, on or off the premises, due to activities conducted on the properties, except for claims arising from our negligence or intentional misconduct or that of its agents.

Tenants are generally required, at the tenant's expense, to obtain and keep in full force during the term of the lease, liability and property damage insurance policies. In addition, IRSA cannot assure the holders that the tenants will properly maintain their insurance policies or have the ability to pay the deductibles.

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

Demand for IRSA's premium properties may not be sufficient.

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

IRSA's level of debt may adversely affect its operations and its ability to pay its debt as it becomes due.

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

The fact that IRSA is highly leveraged may affect its ability to refinance existing debt or borrow additional funds to finance working capital requirements, acquisitions and capital expenditures. In addition, the recent disruptions in the global financial markets, including the bankruptcy and restructuring of major financial institutions, may adversely impact IRSA's ability to refinance existing debt and the availability and cost of credit in the future. In such conditions, access to equity and debt financing options may be restricted and it may be uncertain how long these economic circumstances may last.

This would require IRSA to allocate a substantial portion of cash flow to repay principal and interest, thereby reducing the amount of money available to invest in operations, including acquisitions and capital expenditures. Its leverage could also affect its competitiveness and limit its ability to changes in market conditions, changes in the real estate industry and economic downturns.

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

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

The global credit crisis that began in 2008 had a significant negative impact on businesses around the world. The impact of a crisis on our major tenants cannot be predicted and may be quite severe. A disruption in the ability of our significant tenants to access liquidity could cause serious disruptions or an overall deterioration of their businesses which could lead to a significant reduction in their future orders of their products and the inability or failure on their part to meet their payment obligations to us, any of which could have a material adverse effect on our results of operations and liquidity.

IRSA is subject to risks affecting the hotel industry.

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

In addition, the profitability of our hotels depends on:

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

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

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

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

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

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

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

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

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

In the past, the Argentine government imposed strict and burdensome regulations regarding leases in response to housing shortages, high rates of inflation and difficulties in accessing credit. Such regulations limited or prohibited increases on rental prices and prohibited eviction of tenants, even for failure to pay rent. Most of IRSA´s leases provide that the tenants pay all costs and taxes related to their respective leased areas. In the event of a significant increase in the amount of such costs and taxes, the Argentine government may respond to political pressure to intervene by regulating this practice, thereby negatively affecting IRSA´s rental income. IRSA cannot assure you that the Argentine government will not impose similar or other regulations in the future. Changes in existing laws or the enactment of new laws governing the ownership, operation or leasing of properties in Argentina could negatively affect the Argentine real estate market and the rental market and materially and adversely affect IRSA´s operations and profitability.

IRSA faces risks associated with its expansion in the United States.

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

In March 2012, through our subsidiary Real Estate Strategies, L.P. (“RES”), we acquired 3,000,000 Series C convertible preferred shares issued by Condor in an aggregate amount of US$ 30 million, a REIT focused in middle-class and long-stay hotels in 20 states in the United States of America.

During 2008 and 2009, the U.S. markets experienced extreme dislocations and a severe contraction in available liquidity globally as important segments of the credit markets were frozen. Global financial markets have been disrupted by, among other things, volatility in securities prices, rating downgrades and declining valuations. This disruption lead to a decline in business and consumer confidence and increased unemployment and precipitated an economic recession throughout the globe. As a consequence, owners and operators of commercial real estate, including hotels and resorts, and commercial real estate properties such as offices, experienced dramatic declines in property values. We are unable to predict if disruptions in the global financial markets will occur in the future and the impact that may have on IRSA’s business, financial condition and results of operations.

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

On April 18, 2000, Puerto Retiro S.A. ("Puerto Retiro") was served notice of a filing made by the Argentine Government, through the Ministry of Defense, seeking to extend bankruptcy of Inversora Dársena Norte S.A. ("Indarsa") to the Company. Upon filing of the complaint, the bankruptcy court issued an order, restraining the ability of Puerto Retiro to dispose of, in any manner, the real property purchased in 1993 from Tandanor.

Indarsa had acquired 90% of the capital stock in Tandanor from the Argentine Government in 1991. Tandanor's main business involved ship repairs performed in a 19-hectare property located in the vicinity of La Boca neighborhood and where the Syncrolift is installed.

As Indarsa failed to comply with its payment obligation for acquisition of the shares of stock in Tandanor, the Ministry of Defense filed a bankruptcy petition against Indarsa, seeking to extend it to the Company.

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

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

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

In turn, Tandanor filed a civil action against Puerto Retiro and the other defendants in the criminal case for violation of Section 174 (5) based on Section 173 (7) of the Criminal Code. Such action seeks -on the basis of the nullity of the decree that approved the bidding process involving the Dársena Norte property- a reimbursement in favor of Tandanor for all such amounts it has allegedly lost as a result of a suspected fraudulent transaction involving the sale of the property disputed in the case.

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

Property ownership through joint ventures or minority participation may limit IRSA´s ability to act exclusively in its interest.

In some cases, IRSA develops and acquires properties through joint ventures with other persons or entities when IRSA believes circumstances warrant the use of such structures. For example, IRSA currently owns 80% of Panamerican Mall S.A. (“PAMSA”), while another 20% is owned by Centro Comercial Panamericano S.A., and 50% of Quality Invest S.A. (“Quality Invest”).

IRSA could engage in a dispute with one or more of its joint venture partners that might affect its ability to operate a jointly owned property. Moreover, its joint venture partners may at any time, have business, economic or other objectives that are inconsistent with its objectives, including objectives that relate to the timing and terms of any sale or refinancing of a property. For example, the approval of certain of the other investors is required with respect to operating budgets and refinancing, encumbering, expanding or selling any of these properties. In some instances, its joint venture partners may have competing interests in its markets that could create conflicts of interest. If the objectives of its joint venture partners are inconsistent with its own objectives, IRSA will not be able to act exclusively in its interests.

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

Dividend restrictions in IRSA’s subsidiaries’ debt agreements may adversely affect it.

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

IRSA is dependent on its Board of Directors.

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

IRSA may face potential conflicts of interest relating to its principal shareholders.

IRSA’s largest beneficial owner is Mr. Eduardo S. Elsztain, through us. As of June 30, 2016, such beneficial ownership consisted of: (i) 366,788,251 common shares held by us, and (ii) 900 common shares held directly by Mr. Elsztain.

See Item 7 – Major Shareholders and Related Party Transactions. Conflicts of interest between IRSA’s management, us and its affiliates may arise in the performance of IRSA’s business activities. As of June 30, 2016, Mr. Elsztain also beneficially owned (i) approximately 30.9% of ours’ common shares and (ii) approximately 94.6% of the common shares of our subsidiary IRSA Commercial Properties. IRSA cannot assure you that its’ principal shareholders and their affiliates will not limit or cause IRSA to forego business opportunities that its affiliates may pursue or that the pursuit of other opportunities will be in IRSA’s interest.

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Due to the currency mismatches between assets and liabilities, IRSA may have currency exposure.

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

IRSA's Investment in Banco Hipotecario.

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

All of Banco Hipotecario's operations, properties and customers are located in Argentina. Accordingly, the quality of Banco Hipotecario's loan portfolio, financial condition and results of operations depend on economic, regulatory and political conditions prevailing in Argentina.

These conditions include growth rates, inflation rates, exchange rates, changes to interest rates, changes to government policies, social instability and other political, economic or international developments either taking place in, or otherwise affecting, Argentina.

Risks Relating to the Argentine Financial System and Banco Hipotecario

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

Given the short-term structure of the deposit base of the Argentine financial system, credit lines are also predominantly short-term, with the exception of mortgages, which represent a low proportion of the existing credit base.

Although liquidity levels are currently reasonable, no assurance can be given that these levels will not be reduced due to a future negative economic scenario. Therefore, there is still a risk of low liquidity levels that could increase funding cost in the event of a withdrawal of a significant amount of the deposit base of the financial system, and limit the long-term expansion of financial intermediation including Banco Hipotecario.

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

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

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

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

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

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

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

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

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

Argentine Law No. 24,240 (the "Consumer Protection Law") sets forth a series of rules and principles designed to protect consumers, which include Banco Hipotecario's customers. The Consumer Protection Law was amended by Law No. 26,361 on March 12, 2008 to expand its applicability and the penalties associated with violations thereof. Additionally, Law No. 25,065 (as amended by Law No. 26,010 and Law No. 26,361, the "Credit Card Law") also sets forth public policy regulations designed to protect credit card holders. Recent Central Bank regulations, such as Communication "A" 5388, also protect consumers of financial services.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Risks Relating to Banco Hipotecario's Business

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

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

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

The spread for Argentina's financial system between the interest rates on loans and deposits could be affected as a result of increased competition in the banking sector and the Argentine government's tightening of monetary policy in response to inflation concerns.

Since 2009, the interest rate spreads throughout the Argentine financial system have generally increased. This increase was sustained by a steady demand for consumer loans in recent years. In 2013 and 2014, borrowing and lending rates increased significantly. However, the net interest margin of the financial system remained stable due to a substantial growth both in the loan and deposit portfolios.

In June 2014, the Central Bank established a system of maximum active benchmark rates for consumer loans and secured loans and additionally, in October 2014, established a new mechanism of regulation by setting a minimum deposit rate for certain deposits of natural persons.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Operations Center in Israel

Risks related to Israel

Conditions in Israel could adversely affect our subsidiary IDBD.

Our subsidiary IDB Development Corporation is incorporated and operates in Israel. Accordingly, political, economic and military conditions in Israel directly affect IDBD's business. Since the State of Israel was established in 1948, a number of armed conflicts have occurred between Israel, the Palestinian Authority and Israel's Arab neighbors. Although Israel has entered into various agreements with Egypt, Jordan and the Palestinian Authority, there has been an increase in unrest and terrorist activity, which began in September 2000 and has continued with varying levels of severity. Starting in December 2008, for approximately three weeks, Israel engaged in an armed conflict with Hamas in the Gaza Strip, which involved missile strikes against civilian targets in various parts of Israel and negatively affected business conditions in Israel. In November 2012, for approximately one week, Israel experienced a similar armed conflict, resulting in hundreds of rockets being fired from the Gaza Strip and disrupting most day-to-day civilian activity in southern Israel. Due to these conflicts, political, economic and military conditions in Israel may directly affect IDBD and could result in physical damage to its related facilities or the interruption or curtailment of trade between Israel and its present trading partners. If IDBD's assets are damaged as a result of hostile action or hostilities otherwise disrupt its ongoing operations, IDBD's business could be materially adversely affected. We do not believe that the political and security situation has had any material impact on IDBD to date; however, we can give no assurance that security and political conditions will not have such effect in the future. Any armed conflict, political instability or continued violence in the region, or the interruption or curtailment of trade between Israel and its present trading partners may have a negative effect on the Israeli economy and IDBD and adversely affect the results of operations business, and financial condition, thereby negatively impacting its ability to generate revenue.

Israel's economy may become unstable.

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

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

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

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

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

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

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

(b)
Merge IDBD and Discount Investments.

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

Based on these analyses, IDBD considers it more likely that the completion of one of the specified alternatives will be adopted to comply with the restrictions of the Law regarding pyramidal holdings, while allowing IDBD to continue to control Discount Investments, and Discount Investments to continue to control Cellcom after December 2019. PBC, which currently is a third-tier company that controls each of Gav-Yam, Ispro and Mehadrin, has preliminarily evaluated application of the Law on its holding structure and determined that it will be able to maintain said control, as it has concluded that the Law has no effect over its financial statements.

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

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

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

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

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

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

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

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

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

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

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

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

IDBD may face difficulties in exporting offshore.

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

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

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

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

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

IDBD's activities are subject to approvals, permits and licenses awarded to them by law by various authorities (such as: the Commissioner of Capital Market, Ministry of Communications, Ministry of Environmental Protection, Petroleum Supervisor at the Ministry of Energy and Water). Failure to comply with terms and conditions of such approvals, permits or licenses may result in sanctions being imposed (including criminal sanctions) on the companies in breach, including fines and/or termination of the relevant approvals, permits or licenses. Some of the aforementioned licenses are for a limited term and may be renewed from time to time, all subject to terms and conditions thereof and to statutory provisions. As of the date hereof, we cannot predict what changes (if any) will be made with respect to future licensing and other regulatory matters. Furthermore, there is no certainty that IDBD's existing licenses will be renewed at the end of their terms or that there will not be a change in the licenses' conditions.

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

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

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

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

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

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

IDBD is incorporated in Israel, where it operates the totality of its business. As of June 30, 2016, IDBD's revenues corresponded to approximately 86.4% of IRSA's total revenues for our fiscal year then ended.

IDBD's activities are subject to Israel's political, economic and military conditions and also to extensive Israeli regulation related to, among other matters, licensing, competition, rates and environmental practices. There can be no assurance that governmental policies in Israel or the current regulations will not change in the future and adversely affect IDBD's business. We are unable to predict whether IDBD's success will continue to prosper in Israeli markets. For more information, please refer to the risk factors under "Risks Related to Israel".

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

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

IDBD's activities were materially affected with the promulgation of the Promotion of Competition and Reduction of Centralization Law Nº 5.774-13 (the "Reduced Centralization Act") published in December 2013. In order to fully comply with this law, IDBD could be forced to adopt some adverse measures, such as dispose its controlling interest in Clal or to merge with DIC. For more information about the Reduced Centralization Act and potential implications of its provisions on IDBD and its subsidiaries, see "Item 4 – Information on the Company".

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

·

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

·

“We may face risks associated with property acquisitions.”

·

“Our future acquisitions may be unprofitable.”

·

“Properties we acquire may subject us to unknown liabilities.”

·

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

·

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

·

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

·

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

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

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

Shufersal faces intense competition in all aspects of its business.

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

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

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

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

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

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

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

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

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

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

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

The telecommunications market is known for rapid and significant technological changes and requires ongoing investments in advanced technologies in order to remain competitive. In recent years Cellcom has witnessed a growing demand for Internet, content and data through advanced third and fourth generation cellular phones, smartphones, modems, tablets and other devices using cellular data that resulted in a rapid and immense growth of data traffic on cellular networks and required cellular operators to upgrade their networks to accord such demand.

Transfer of subscribers to unlimited packages of services and national roaming on its network, have contributed to the substantially growing demand for data traffic on its network, as well as to voice and text messages.

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

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

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

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

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

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

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

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

Risks Related to the ADSs and the Common Shares.

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

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

The ADSs are freely transferable under U.S. securities laws, including common shares sold to our affiliates. IFISA, which as of June 30, 2016, owned approximately 30.88% of our common shares (or approximately 154,898,780 common shares which may be exchanged for an aggregate of 15,489,878 ADSs), is free to dispose of any or all of its common shares or ADSs at any time in its discretion. Sales of a large number of our common shares and/or ADSs would likely have an adverse effect on the market price of our common shares and the ADSs.

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

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

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

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

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

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

Our management is responsible for establishing and maintaining adequate Internal Control over Financial Reporting (as defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act). Our Internal Control over Financial Reporting includes a series of procedures designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of consolidated financial statements for external purposes, in accordance with IFRS and includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of our assets, (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of consolidated financial statements in accordance with IFRS and that the relevant entity's or division's receipts and expenditures are being made only in accordance with authorizations of our management and directors, and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of our assets that could have a material effect on our consolidated financial statements.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Item 4. Information on the Company

A. HISTORY AND DEVELOPMENT OF THE COMPANY

General Information

Our legal name is Cresud Sociedad Anónima Comercial, Inmobiliaria, Financiera y Agropecuaria, and our commercial name is “Cresud”. We were incorporated and organized on December 31, 1936 under Argentine law as a stock corporation (sociedad anónima) and were registered with the Public Registry of Commerce of the City of Buenos Aires (Inspección General de Justicia), on February 19, 1937 under number 26, on page 2, book 45 of National By-laws Volume. Pursuant to our bylaws, our term of duration expires on July 6, 2082. Our headquarters are located at Moreno 877, 23rd Floor (C1091AAQ), Ciudad Autónoma de Buenos Aires, Argentina. Our telephone is +54 (11) 4814-7800, and our website is www.cresud.com.ar.

Information contained in or accessible through our website is not a part of this annual report on Form 20-F. All references in this annual report on Form 20-F to this or other internet sites are inactive textual references to these URLs, or “uniform resource locators” and are for information purposes only. We assume no responsibility for the information contained on these sites.

History

We were incorporated in 1936 as a subsidiary of Credit Foncier, a Belgian company engaged in the business of providing rural and urban loans in Argentina. We were incorporated to administer real estate holdings foreclosed by Credit Foncier. Credit Foncier was liquidated in 1959, and as part of such liquidation, our shares were distributed to Credit Foncier’s shareholders and in 1960 were listed on the Buenos Aires Stock Exchange (“BASE”). During the 1960s and 1970s, our business shifted to exclusively agricultural activities.

In 1993 and 1994, Consultores Asset Management acquired, on behalf of certain investors, approximately 22% of our shares on the BASE. In late 1994, an investor group led by Consultores Asset Management (including Dolphin Fund plc.) acquired additional shares increasing their aggregate shareholding to approximately 51.4% of our outstanding shares. In 1995, we increased our capital through a rights offering and global public offering of ADRs representing our common shares and listed such ADRs on the NASDAQ. We started our agricultural activities with 7 farmlands and 20,000 hectares under management.

As of June 30, 2016, we had a 63.77% equity interest in IRSA (without considering treasury shares). IRSA is one of Argentina’s largest real estate companies and is engaged in a range of diversified real estate activities including residential properties, office buildings, shopping centers and luxury hotels in Argentina. A majority of our directors are also directors of IRSA.

In line with our international expansion strategy, on September of 2005 we participated in the creation of Brasilagro with the purpose of replicating our business model in Brazil. We created BrasilAgro together with our partners, Cape Town Llc, Tarpon Investimentos S.A., Tarpon Agro LLC, Agro Investments S.A. and Agro Managers S.A.

On May 2, 2006, BrasilAgro’s shares were listed on the Novo Mercado of the Brazilian Stock Exchange (“BOVESPA”) with the symbol AGRO3. BrasilAgro’s shares were placed jointly with Banco de Investimentos Credit Suisse (Brazil) S.A. in the Brazilian market through investment mechanisms regulated by controlling authorities and with sales efforts pursuant to an exception from registration under the US Securities Act of 1933. The amount originally offered was R$ 532 million, equivalent to 532,000 common shares at a price of R$ 1,000 per share of BrasilAgro.

In addition, we purchased shares in the offering for R$ 42.4 million (approximately US$ 20.6 million). Following such contribution we held a total amount of 42,705 shares, equivalent to 7.4% of BrasilAgro's capital stock. On October 31, 2007, BrasilAgro carried out a 1-for-100 share split approved at the special shareholders' meeting held on March 15, 2007 and ratified at the annual shareholders' meeting held on October 29, 2007. Following this split, BrasilAgro's capital stock was composed of 58,422,400 common shares.

On October 20, 2010 and on December 23, 2010, along with Tarpon we executed two amendments to the share purchase agreement dated as of April 28, 2010, under which we acquired 9,581,750 shares of common stock of BrasilAgro, representing 16.40% of the outstanding stock. Consequently, on October 20, 2010 we paid R$25.2 million and on December 23, 2010 we paid R$50.8 million, and the price reminder of R$52.6 million was paid on April 27, 2011.

Consequently, as of the date of this annual report, we hold 23,150,050 shares or 39.76% of BrasilAgro's outstanding capital stock. It should be noted that such acquisition of shares does not imply any change of control within the shareholders' group of BrasilAgro according to the legal regime in Brazil. Additionally, we own 177,004 BrasilAgro's first issuance warrants and 177,004 BrasilAgro's second issuance warrants.

In addition, during the last quarter of calendar year 2010, we entered into an agreement by means of which we assigned all equity and political rights related to 2,276,534 shares of BrasilAgro for two years. The agreement also provides a promise to sell, under which the assignee may at any time request the sale of BOVESPA's shares or the transfer of shares on its behalf. In consideration for the assignment, we paid a fixed value of US$0.8 million and additionally, in the event the assignee requested the sale or transfer of share, it should paid US$7.15 per share sold or transferred. On June 27, 2012, we agreed together with Mr. Elie Horn and Cape Town Llc. to terminate the shareholder's ageerrment. From fiscal year 2011, we present our financial statements in consolidated form with Brasilagro's. In November past, Brasilagro's shares became listed as Level II ADRs on the NYSE, under the ticker symbol LND.

In the context of operations that represent a new expansion of our agricultural business in south america, on September 2008, we entered into several agreements to carry out real estate and agricultural, livestock and forestry activities in the Republic of Paraguay. Under these agreements, a new corporation was organized together with Carlos Casado S.A. ("Carlos Casado") under the name Cresca, in which we hold a 50% equity interest. Additionally, we provide consulting services for the agricultural, livestock and forestry development of a rural property of 41,931 hectares.

In March 2008 we concluded a capital increase of 180 million shares. As a result, 180 million shares offered at the subscription price of US$ 1.60 or Ps. 5.0528 per share were fully subscribed, in the local and international markets. In addition, each shareholder received, without additional cost, one warrant for each share subscribed. See Item 9 "The Offer and Listing – A. Offer and Listing Details - Stock Exchanges in which our securities are listed". This capital increase allows us to expand our international operations to Paraguay and Bolivia.

We entered into an agreement to purchase a 50% interest in a rural property located in Mariscal José Felix Estigarribia, Department of Boquerón, Chaco Paraguayo, Republic of Paraguay, owned by Carlos Casado, for a price of US$5.2 million, in order to contribute them to the new company organized. The contribution was made on January 26, 2009, and the title deed to the property was executed on February 3, 2009. Therefore, jointly with the contribution made by Carlos Casado, the total value of the contributions in Cresca is US$10.5 million. In addition, Cresca has an option granted by Carlos Casado for the purchase of 100,000 additional hectares located in Paraguay.

On March 19, 2010 the option granted under the agreement dated September 3, 2008 was partially exercised, whereby 3,614 hectares, valued at US$350 each, were transferred to Cresca. Finally, on June 29, 2010, the title deed was executed, involving the conveyance of 3,646 hectares.

In December 2013, we sold our entire interest in Cresca, in which we held 50% of its capital stock, and the option granted by Carlos Casado for the purchase of 100,000 additional hectares located in Paraguay, to our subsidiary Brasilagro for US$ 18.5 million, thus adding 145,000 hectares in the Paraguayan Chaco to its land portfolio intended for development. On April 3, 2014, Cresca signed a bill of sale whereby it sells an area of 24,624 hectares located in Chaco Paraguayo.

During fiscal year 2015 the option granted under the agreement dated September 3, 2008 was exercised, whereby 60,531 hectares, valued at US$350 each, were transferred to Cresca.

In the framework of a series of transactions that represent a new expansion of our agribusiness operations in South America, in line with our business plan, we have incorporated companies that own land in the Republic of Bolivia during 2008.

For such purposes, the following companies were incorporated: Agropecuaria Acres del Sud S.A ("Acres del Sud"), Ombú Agropecuaria S.A.("Ombú"), Yatay Agropecuaria S.A. ("Yatay") and Yuchan Agropecuaria S.A. ("Yuchan"). The preceding Bolivia-based companies acquired land for agricultural operations. We maintain a 100% ownership interest in the capital stock of those companies, all engaged in agricultural operations.

In addition, during October 2008, we acquired, a company named Helmir S.A. ("Helmir"), domiciled in the Republic of Uruguay and incorporated with a broad-ranging corporate purpose.

In line with our international expansion strategy, we have entered into a number of agreements to formalize our position in various South American countries. In July 2008, we, executed several promise to purchase agreements for an aggregate of 12,166 hectares in the Republic of Bolivia for a total price of US$28.9 million.

In connection with these lands, on November 20, 2008, two purchase instruments including delivery of possession were executed, as part of the process of casting into public deed and filing of deeds with the relevant registries, involving the purchase of 883, 2,969 and 3,748 hectares in "San Cayetano," "San Rafael" and "La Fon Fon" farmlands, respectively, located in Santa Cruz, Bolivia.

On January 22, 2009, we executed a deed of purchase for 4,566 hectares in Las Londras farmlands, located in the Province of Guarayos, Republic of Bolivia. On that date, the sum of US$3.8 million was paid, representing 42.9% of the total agreed price. The remaining balance is payable in two annual installments: the first one was paid during the 2010 fiscal period, and the second one was paid in fiscal year 2011.

During fiscal year 2010, 10,800 hectares of the farmlands located in Bolivia were sown. This region has traditionally achieved double harvesting of soybean, which means that better results can be obtained per hectare during a single season; yet, the weather conditions that prevailed during the last year have not allowed double harvesting.

In June 2011, we entered into a purchase agreement for two agricultural parcels located at Santa Cruz, Republic of Bolivia, with a total surface of 5,000 hectares, which are used for agricultural exploitation: (i) The first parcel has a surface of approximately 2,660 hectares for sugar cane exploitation purposes. The purchase price was US$8.4 million which was fully paid, and (ii) the second parcel has a surface of approximately 2,340 hectares for soybeans exploitation purposes. The purchase price was US$4.9 million which was fully paid.

Additionally, we have agreed to sell a parcel of La Fon Fon with a surface of 910 hectares for US$3.64 million and 1,643 hectares of "La Fon Fon II" for an overall amount of US$ 7.21 million.

In December 2013, we sold to our subsidiary Brasilagro the entire interest in CRESCA, representing 50% of its stock capital.

On May 27, 2014 Ombú executed a purchase and sale agreement involving a sale subject to retention of title covering 883 hectares of "San Cayetano I" for an aggregate amount of US$ 4.2 million.

On July 6, 2016, we sold to the "El Invierno" and "La Esperanza" farmlands. The total amount of the transaction was set at US$ 6 million, which of US$ 5 million have been paid and the balance of US$ 1 million, secured by a mortgage on the property, in five equal, consecutive and annual installments ending in August 2021. For more information see "Cresud's Recent Developments."

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

Significant acquisitions, dispositions and development of business

Acquisitions

a)
Acquisition of control of IDBD.

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

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

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

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

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

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

30, 2016 is zero.

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b)
Acquisition of non-controlling interest

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

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

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

(iii) The warrants held by non-controlling shareholders that have not been exercised until March 28, 2016 expired on March 31, 2016. Each warrant holder was entitled to elect whether: (a) to receive IDBD bonds (based on the adjusted nominal value) in an amount equal to the difference between NIS 2.45 and the exercise price of the warrants and be entitled to the Clal payment; or (b) to receive a payment determined by an independent appraiser and approved by Court. Regarding warrant holders choosing this second alternative of payment, the District Court has rejected the experts opinion with respect to the evaluation of the Clal payment and one of the warrants holders has decided to file an appeal before the Supreme Court. As of the date of this filing, the process has not been ended and the Supreme Court has not rendered a decision yet.

(iv) Dolphin committed to providing IDBD a total amount of NIS 515 million (the "Contribution to IDBD"), out of which Dolphin contributed NIS 15 million in February 2016 and NIS 85 million in March 2016. The amount injected to IDBD would be reduced by any capital contribution resulting from the exercise of warrants held by non-controlling shareholders (maximum amount of approximately NIS 37.5 million). The contribution to IDBD would further cover the IDBD Bonds necessary to comply with the transactions described above (between NIS 166.5 million and NIS 178 million), and the balance would be contributed until completing the amount committed by Dolphin either as a capital contribution or as a subordinated loan which amounted to NIS 248.45 million.
(v) Dolphin had to pledge 28% of its IDBD shares, as well as all rights held by Dolphin in relation to the subordinated loan granted in the amount of NIS 210 million in December 2015, until the payment obligation for Clal has been completed or has expired, after which the pledge will be discharged. Should new shares be issued by IDBD, Dolphin will be required to pledge additional shares until completing the 28% of all IDBD share capital. This pledge supersedes the existing pledge on approximately 64 million shares of IDBD and all Dolphin's rights in relation to the Subordinated Loan.

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

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

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

(ii)
Control over Clal is obtained.

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

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

Acquisition and disposal of investment properties

During the fiscal year ended June 30, 2016, IRSA sold certain floors corresponding to Maipú 1300 Building, Intercontinental Plaza and all the floors corresponding to Dique IV and Isla Sirgadero, among others. All sales of the year led to a combined profit for the us of Ps. 1,101 million, disclosed within the line "Gain from disposal of investment properties" in the Statement of Income.

During the fiscal year ended June 30, 2015, IRSA acquired five plots of farmlands in Luján in the amount of Ps. 210 million and, through IRSA CP, a plot of land in Córdoba in the amount of Ps. 3.1 million, and has sold floors corresponding to Maipú 1300 building, Intercontinental Plaza, Bouchard 551, the entire Madison 183 building and parking spaces in Bouchard 551, Libertador 498 and Maipú 1300. All sales of the year led to a combined profit for us of Ps. 1,150.2 million, disclosed within the line "Gain from disposal of investment properties" in the Statement of Income.

During the fiscal year ended June 30, 2014, IRSA acquired, through IRSA CP, a building next to Alto Palermo Shopping for US$ 3.8 million and has sold floors corresponding to Maipú 1300 building, Bouchard 551 and the entire buildings Mayo 589, Rivadavia 565, Costeros Dique IV Constitución 1159 and parking spaces in Maipú 1300, Bouchard 551 and Libertador 498 buildings. All sales of the year led to a combined profit for us of Ps. 230.9 million, disclosed within the line "Gain from disposal of investment properties" in the Statement of Income.

Changes in non-controlling interest

IRSA

During the fiscal year ended June 30, 2016, we sold a 0.93% interest in IRSA for a total amount of Ps. 86.4 million. This resulted in an increase in non-controlling interests of Ps. 20.6 million and a increase in equity attributable to holders of the parent of Ps. 40.3 million, net of tax effect.

During the fiscal year ended June 30, 2015, we sold a 1.81% interest in IRSA for a total amount of Ps. 181.8 million. This resulted in an increase in non-controlling interests of Ps. 33.7 million and a increase in equity attributable to owners of the parent of Ps. 97.7 million, net of tax effect.

The effects of disposals of the ownership interest of IRSA on the equity attributable to owners of us is summarized as follows:

	June 30, 2016	June 30, 2015
	Ps. Million	Ps. Million
Carrying amount of the non-controlling interests sold by us	(20.6)	(33.7)
Consideration collected	86.4	181.8
Tax effect	(25.5)	(50.4)
Reserve recorded in equity	40.3	97.7

During the fiscal year ended June 30, 2015, we acquired a 0.65% interest in IRSA for a total amount of Ps. 50.7 million. This resulted in a decrease in non-controlling interests of Ps. 12.7 million and an decrease in equity attributable to holders of the parent of Ps. 38 million, net of tax effect.

The effect of acquisition of the ownership interest of IRSA on the equity attributable to owners of us is summarized as follows:

	June 30, 2015
	Ps. Million
Carrying amount of our interest acquired of	12.7
Consideration paid for non-controlling interests	(50.7)
Reserve recorded in equity	(38.0)

On June 10, 2014, the Board of Directors of IRSA resolved to finish the stock repurchase plan that was approved by resolution of the Board on July 25, 2013, and modified by resolutions adopted on September 18, 2013, October 15, 2013 and October 22, 2013. During the term of the Stock Repurchase Plan, IRSA has repurchased 4,904,697 shares for an aggregate amount of Ps. 37,905,631.

Dolphin

During year 2015, we through our subsidiaries, contributed an amount of US$ 146 million in Dolphin. Such amount was also allocated to increase Dolphin’s investment in IDBD. This resulted in a decrease in non-controlling interests of Ps. 21 million and an increase in equity attributable to the holders of the parent.

Sale of Farmlands

Cresca

On April 3, 2014, Cresca S.A. signed a bill of sale whereby it sells an area of 24,624 hectares located in Chaco Paraguayo. The total price was US$ 14.7 million (equivalent to Ps. 116.9 million), which amount shall be collectable as follows: US$ 1.8 million (equivalent to Ps. 14.3 million) were collected upon the execution of the bill of sale, US$ 4.3 million (equivalent to Ps. 34.2 million) upon execution of the conveyance deed; US$ 3.7 million (equivalent to Ps. 33.1 million) interest-free between April and July, 2015; and US$ 4.9 million (equivalent to Ps. 73.1 million) interest-free were collected in July 2016, thus being cancelled all the mortgage that had been granted in guarantee price balance. Possession was delivered upon execution of the conveyance deed. We have recognized gains of Ps. 19.1

million as result of this transaction.

Cremaq

On June 10, 2015, Brasilagro sold the remaining area of 27,745 hectares of Cremaq field, an establishment, located in the municipality of Baixa Grande do Ribeiro (Piaui). The transaction price was fixed at Rs. 270 million (equal to Ps. 694 million), which have already been fully collected, and Rs. 49.7 million (equivalent to Ps. 127.7 million) of which remain under "Restricted Assets" on condition that the public deed for 6,020 be registered and that an agreement for the termination of possessory actions related to a disputed fraction be notarized. We have recognized gains of Ps. 525.9 million as result of this transaction.

La Fon Fon II

On October 17, 2013, Yuchán signed a purchase-sale agreement involving a sale subject to retention of title involving 1,643 hectares of "La Fon Fon II" for an overall amount of US$ 7.21 million (equivalents to Ps. 59 million). As of the balance sheet date, the amount of US$ 7.1 million (equivalent to Ps. 58.1 million) has been collected, and the remaining balance amounts to US$ 0.12 million (equivalent to Ps. 0.9 million) that will be cancelled in 2 installments, starting in December this year, and concluding in December 2017. Under the contract, the conveyance will be recorded with the Registry once the price has been fully paid off. On June 24, 2015, possession was granted by Yuchán. During the year 2015 we recognized a profit before tax of US$ 2.7 million (equivalents to Ps. 24.6 million) as result of this transaction.

Araucária

On June 27, 2014, Brasilagro sold a total area of 1,164 hectares of Araucaria farmland.

The sale was priced at Rs. 32.5 million (Ps. 117.5 million). We recorded a profit before tax on the sale of the Araucaria farmland for an amount of Rs. 21.0 million (or Ps. 75.8 million).

San Cayetano

On May 27, 2014, Ombú signed a purchase-sale agreement involving a sale subject to retention of title for 883 hectares of "San Cayetano I" establishment for an overall amount of US$ 4.2 million (equivalents to Ps. 31 million).

On June 20, 2016, an Agreement was signed to modify a Purchase-Sale Private Deed with Reserve of Property Rights where the precise area of the property has been determined to cover 855,3213; the parties have agreed to adjust the sale price of the property by deduction US$ 0.1 million (equivalent to Ps. 1.4 million) from the total price.

The amount of US$ 3.2 million (equivalent to Ps. 23.6 million) of the price has already been paid, and the balance will be paid in three installments, with the last installment being due upon execution of the title conveyance deed.

Under the contract, the conveyance shall be recorded once the price has been fully collected off. Possession was granted upon execution of the contract. We recorded a gain of US$ 1.8 million (Ps.15.6 million) on the sale.

Acquisition of additional interest in BHSA

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

Disposal of financial assets

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

Disposal of Associates

On February 5, 2014, IRSA, through Ritelco, sold its interest in Bitania, representing 49% of its capital stock, for an amount of US$ 4.2 million. Such transaction generated a net gain of approximately Ps. 13.3 million which are shown in the line "Other operating results, net" in the statement of income.

Acquisition of BACS

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

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

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

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

Capital reduction of Rigby

On October 17, 2014, Rigby reduced its capital stock by distributing among existing shareholders, proportionally to their shareholdings, the gain made from the sale of the Madison building. The total amount distributed is US$ 103.8 million, of which IRSA received US$ 77.4 million (US$ 26.5 million through IRSA International and US$ 50.9 million through IMadison LLC) and US$ 26.4 million were distributed to other shareholders. As a result of such reduction, IRSA has decided to reverse the corresponding accumulated conversion difference on a pro rata basis, which amounted to Ps. 188.3 million. This reversal has been recognized in the line “Other operating results, net" in the statement of income.

Capital Expenditures

Our capital expenditures totaled Ps. 2,4582 million, Ps. 4883 million and Ps. 4364 million for the fiscal years ended on June 30, 2016, 2015 and 2014, including other property and equipment acquired in business combinations. Our capital expenditures consisted in the purchase of real estate and farms, acquisition and improvement of productive agricultural assets, completion of building a shopping center, construction of real estate and acquisition of land reserves.

Our capital expenditures for the new fiscal year will depend on the prices of real estate, land for agriculture and cattle as well as the evolution of commodity prices.

Fiscal Year Ended June 30, 2016

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

In addition, our main investments in the agriculture business during the fiscal year 2015 were Ps. 89 million, mainly due (a) acquisition and development of owner occupied farmland for Ps. 65 million (including Ps. 36 million of subsidiary Brasilagro), (b) Ps. 7 million in machinery and equipment, (c) Ps. 3 million in vehicles, and (d) Ps. 14 million in other building and facilities.

Fiscal Year Ended June 30, 2015

Fiscal Year 2015. During the fiscal year ended June 30, 2015 we invested Ps. 307 million in the urban properties and investment business, mainly due to (a) improvements in our hotels Sheraton Libertador, Intercontinental and Llao Llao for Ps. 1 million, Ps. 9 million and Ps. 5 million, respectively, (b) acquisition of furniture and fixtures, machinery and equipment, vehicles and other buildings and facilities for Ps. 35 million, (c) improvements made to our shopping centers for Ps. 60 million, (d) development of properties for Ps. 175 million, corresponding Ps. 1 million to "Distrito Arcos" project and Ps. 174 million to Shopping Neuquén project, (e) supliers advances for investment acquisitions for Ps. 14 million, (f) Ps. 6 million improvements in our Office buildings and other rental properties and (g) Ps. 2 million were related to the acquisition of plots of lands.

In addition, our main investments in the agriculture business during the fiscal year 2015 were Ps. 181 million, mainly due (a) acquisition and development of owner occupied farmland for Ps. 153 million (including Ps. 93 million of subsidiary Brasilagro), (b) Ps. 8 million in investment properties, (c) Ps. 6 million in machinery and equipment, (d) Ps. 5 million in vehicles, (e) Ps. 8 million in other building and facilities and (f) Ps. 1 million in furniture and fixtures.

Fiscal Year Ended June 30, 2014

Fiscal Year 2014. During the fiscal year ended June 30, 2014 we invested Ps. 318 million in the urban properties and investment business, mainly due to (a) improvements in our hotels Sheraton Libertador, Intercontinental and Llao Llao for Ps. 6 million, Ps. 2 million and Ps. 3 million, respectively, (b) acquisition of furniture and fixtures, machinery and equipment, and other buildings and facilities for Ps. 10 million, (c) improvements made to our shopping centers for Ps. 61 million, (d) development of properties for Ps. 180 million, corresponding Ps. 100 million to "Arcos" project and Ps. 80 million to Shopping Neuquén project, (e) supliers advances for investment acquisitions for Ps. 30 million, (f) Ps. 25 million improvements in our Office buildings and other rental properties and (g) Ps. 1 million were related to the acquisition of plots of lands.

In addition, our main investments in the agriculture business during the fiscal year 2014 were Ps. 118 million, mainly due (a) acquisition and development of owner occupied farmland for Ps. 97 million (including Ps. 58 million of subsidiary Brasilagro), (b) Ps. 7 million in investment properties, (c) Ps. 6 million in machinery and equipment, (d) Ps. 3 million in vehicles, (e) Ps. 3 million in other building and facilities and (f) Ps. 1 million in furniture and fixtures.

Recent Developments

Cresud’s Recent Developments

Credit Line with IFISA.

On July 1º, 2016, we renewed the credit line with IFISA for up to 3,500,000 ADRs (previously 4,053,942) of our subsidiary IRSA, in which we are the lender and IFISA is the borrower. The term of the transaction was set at 30 days, renewable up to a maximum of 365 calendar days with an annual interest rate of 6%.

Selling of "El Invierno" and "La Esperanza" farmlands, city of Rancul, province of La Pampa.

On July 6, 2016, we sold to an unrelated party the "El Invierno" and "La Esperanza" farmlands. The transaction included 2,615 hectares suitable for agricultural activities which are located in "Rancul" province of La Pampa. The total amount of the transaction was set at US$ 6 million (US$ / ha 2,294). US$ 5 million have been paid to date and the remaining balance of US$ 1 million, secured by a mortgage on the property, in 5 equal, consecutive and annual installments ending in August 2021.

Director renouncement

On September 6, 2016, David Alberto Perednik resigned, being its mandate up to June 30, 2016. Its replacement will be appointed in the next shareholder meeting.

Subscription of the Prior Commitment of Merger between Cresud and AGRO MANAGERS S.A.

In July 2016, Cresud made a shares purchase offer to the other shareholders of Ps. 5.5 million to acquire their total ownership interest, this offer was accepted. Thus, our direct interest increased to 100%.

On September 16, 2016, a pre-merger agreement was executed, by which all assets, rights and obligations of Agromanagers S.A. are transferred to us.

Annual Shareholders' Meeting

Our annual shareholders' meeting will be held on October 31, 2016, in order to consider and approve, among others, the following matters: (i) consideration of documents contemplated in section 234, paragraph 1, of the Argentine Companies Law No. 19,550 for the fiscal year ended June 30, 2016; (ii) Consideration of the result of the fiscal year ended June 30, 2016 which resulted in a loss for the amount of Ps.1,401,856,585; (iii) consideration of Board of Directors' performance; (iv) consideration of Supervisory Committee's performance; (v) consideration of compensation payable to the Board of Directors for Ps.18,985,218 (total compensation) for the fiscal year ended June 30, 2016; (vi) consideration of compensation payable to the Supervisory Committee for the fiscal year ended June 30, 2016; (vii) consideration of the appointment of Regular Directors and Alternate Directors, as applicable; (viii) appointment of Regular and Alternate Members of the Supervisory Committee; (ix) appointment of Certifying Accountant for the next fiscal year and determination of its compensation. Delegation of powers; (x) updating of report on Shared Services Agreement; (xi) treatment of amounts paid as personal assets tax levied on the shareholders; (xii) consideration of the renewal of the delegation to the Board of Directors of the broadest powers to establish the time and currency of issuance, and other terms and conditions of the issuance of notes under the global note program, for up to US$ 300.000.000 currently in force in accordance with approval of the shareholders' meeting dated October 31, 2012, and November 14, 2014 and its extension for an additional amount of US$ 200.000.000 in accordance with the approval of the shareholders' meeting dated October 30, 2015; (xiii) consideration of granting indemnities to Messrs. Directors, Syndics and Managers who work or have worked in the Company in a manner subsidiary to D&O policies; (xiv) consideration of special financial merger statement of AGRO MANAGERS S.A.; special separate financial merger statements of Cresud and consolidated financial merger statements of Cresud with AGRO MANAGERS S.A. as of June 30, 2016 as well as the reports of the supervisory committee and the auditor. Consideration of the preliminary merger by absorption with AGRO MANAGERS S.A. and other related documentation. Authorizations and delegations. Appointment of proxy to grant definitive agreements and other formalities; (xv) consideration of the distribution of treasury shares.

Repurchased of notes

Since the end of fiscal year 2016 until October 7, 2016, we have repurchased Notes (Class XIV, XVI and XVIII) by operations in the local market with unrelated parties for a total amount of Ps.149,821,406, equivalent to the amount of NV 11,022,123.

IRSA's Recent Developments

Operations Center in Argentina

Dolphin Netherlands shares subscription.

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

Issuance of Series VII and Series VIII Notes.

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

Redemption of Series I Notes.

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

Operations Center in Israel

ChemChina's offer for Adama Agricultural Solutions Ltd.

On July 17, 2016, IRSA's indirect subsidiary DIC, agreed to sell its remaining 40% in Adama to ChemChina for cash consideration of US$ 230 million and cancellation of a loan due to a Chinese bank. It is expected that the sale transaction be consummated by the first week of November 2016, subject to the fulfillment of certain conditions, including the receipt of Chinese regulatory and antitrust approvals.

Dismissal of liquidation request of IDBD.

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

Issuance of Notes by IDBD and DIC.

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

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

Notes in IDBD and subsidiaries

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

Acqusition of DIC shares from IDBD

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

B. BUSINESS OVERVIEW

General

We are a leading Latin American agricultural company engaged in the production of basic agricultural commodities with a growing presence in the agricultural sector of Brazil, through our investment in Brasilagro, as well as in other Latin American countries. We are currently involved in several farming activities including grains and sugarcane production, cattle raising and milk production. Our business model focuses on the acquisition, development and exploitation of agricultural properties having attractive prospects for agricultural production and/or value appreciation and the selective sale of such properties where appreciation has been realized. In addition, we lease land to third parties and perform agency and agro-industrial services, including a meat packing plant. Our shares are listed on Mercado de Valores de Buenos Aires (“MVBA”) and the NASDAQ.

We are also directly and indirectly engaged in the real estate business through our subsidiary IRSA and its subsidiaries and joint ventures, one of Argentina’s leading real estate companies. IRSA is engaged in the development, acquisition and operation of shopping centers, premium offices, and luxury hotels in Argentina, as well as the sales and development properties. Also, IRSA has international investments, that mainly operate in the United States in relation to the lease of office buildings and hotels in that country, and the investment in IDBD, one of the largest and most diversified investment groups of Israel, which, through its subsidiaries, participates in numerous markets and industry sectors, including real estate, retail, agroindustry, insurance, telecommunications, among others. IRSA’s shares are listed on the MVBA and the NYSE. We own 63.38% of the outstanding common shares of IRSA and a majority of our directors are also directors of IRSA.

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During fiscal years ended June 30, 2016, 2015 and 2014, we had consolidated revenues of Ps. 35,384 million, Ps. 5,652 and Ps. 4,604 million, and consolidated net income/(loss) of Ps. 4,166 million, Ps. 1,767 million and Ps. 1,186 million, respectively. During the fiscal years ended June 30, 2015 and June 30, 2016, our total consolidated assets increased 986.7% from Ps. 15,276 million to Ps. 166,001 million, and our consolidated shareholders' equity decreased 290.3% from Ps. 3,903 million to Ps. 15,232 million.

We operate in two businesses areas, namely, "Agricultural" and "Investment and Development Properties" businesses, as further described below.
In fiscal year ended June 30, 2016, the Company has changed the presentation of the agricultural business segments which are reviewed by the CODM for a better alignment with the current business vision and the metrics used to such end. Our Agricultural business is further comprised of three reportable segments:

The "Agricultural production" segment consists of planting, harvesting and sale of crops as wheat, corn, soybeans, cotton and sunflowers; breeding, purchasing and/or fattening of free-range cattle for sale to slaughterhouses and local livestock auction markets; breeding and/or purchasing dairy cows for the production of raw milk for sale to local milk and milk-related products producers; and planting, harvesting and sale of sugarcane. The new segment "agricultural production" aggregate the old segments crops, cattle, dairy and sugarcane:

Our "Crops" segment consists of planting, harvesting and sale of crops as wheat, corn, soybeans, cotton, and sunflowers. The Company is focused on the long-term performance of the land and seeks to maximize the use of the land through crop rotation; the use of technology and techniques. In this way, the type and quantity of harvested crops change in each agricultural campaign. Our Crops Segment had assets of Ps. 2,775 million and Ps. 1,913 million as of June 30, 2016 and 2015, respectively, representing 60% and 58% of our agricultural business assets at such dates, respectively. Our Crops segment generated operating income of Ps. 154 million, operating loss of Ps. 277 million and Ps. 140 million for fiscal years ended June 30, 2016, 2015 and 2014, respectively, representing 53%, (90%) and 368%, of our consolidated operating income/loss from Agricultural Business for such years, respectively.

Our "Cattle" segment consists of breeding, purchasing and/or fattening of free-range cattle for sale to meat processors and local livestock auction markets. Our Cattle segment had assets of Ps. 815 million and Ps. 606 million as of June 30, 2016 and 2015, respectively, representing 18% and 18% of our agricultural business assets at such dates, respectively. Our Cattle segment generated operating income of Ps. 103 million, Ps. 36 million and Ps. 31 million for fiscal years ended June 30, 2016, 2015 and 2014 respectively, representing 35%, 12% and (82%), of our consolidated operating income from Agricultural Business for such years, respectively.

Our "Dairy" segment consists of breeding and/or purchasing dairy cows for the production of raw milk for sale to local milk and milk-related products producers. Our Dairy segment had assets of Ps. 77 million and Ps. 65 million as of June 30, 2016 and 2015, respectively, representing 2% and 2% of our agricultural business assets at such dates, respectively. Our Dairy segment generated operating loss of Ps. 8 million for fiscal year ended June 30, 2016, representing (3%), of our consolidated operating income from Agricultural Business for such years, respectively and operating income of Ps. 4 million and Ps. 5 million for fiscal year ended June 30, 2015 and 2014, representing 1% and (13%), of our consolidated operating income from Agricultural Business for such year.

Our "Sugarcane" segment consists of planting, harvesting and sale of sugarcane. Our Sugarcane segment had assets of Ps. 713 million and Ps. 410 million as of June 30, 2016 and 2015, respectively, representing 13% and 12% of our agricultural business assets at such dates, respectively. Our Sugarcane segment generated operating income of Ps. 63 million for the fiscal year ended June 30, 2016, representing 22% of our consolidated operating income from Agricultural Business for such year and operating loss of Ps. 13 million and Ps. 23 million for fiscal years ended June 30, 2015 and 2014, respectively, representing (4%) and 61%, of our consolidated operating income from Agricultural

Business for such years.

Our “Land Transformation and Sales” segment comprises gains from the disposal and development of farmlands activities. Our Land Transformation and Sales segment had assets of Ps. 13 million and Ps. 13 million as of June 30, 2016 and 2015, respectively, representing 0% and 0% of our agricultural business assets at such dates, respectively. Our Land Transformation and Sales segment generated operating loss of Ps. 12 million for fiscal year ended June 30, 2016, representing (4%) of our consolidated operating income from Agricultural Business for such year, respectively, and operating income of Ps. 552 million and Ps. 78 million for fiscal years ended June 30, 2015 and 2014, representing 180% and (205%), of our consolidated operating income from Agricultural Business for such years, respectively.

The "Other segments" segment includes, principally, agricultural services (for example, irrigation); leasing of the Company's farms to third parties; feedlot farming, slaughtering and processing in the meat refrigeration plant; and brokerage activities, among others. The new segment “Other segments” aggregate the old segments Agricultural Rentals and Services, Agro-industrial and Others:

Our “Agricultural Rentals and Services”segment consists of services (for example: irrigation) and leasing of the Company’s farms to third parties. Our Agricultural Rentals and Services Segment had assets of Ps. 22 million and Ps. 118 million as of June 30, 2016 and 2015, respectively, representing 0% and 4% of our agricultural business assets at such dates, respectively. Our Agricultural Rentals and Services segment generated operating income of Ps. 53 million, Ps. 37 million and Ps. 7 million for fiscal years ended June 30, 2016, 2015 and 2014, respectively, representing 18%, 12% and (18%) of our consolidated operating income from Agricultural Business for such years.

Our “Agro-industrial” segment consists of feedlot farming and the slaughtering and processing in the meat refrigerating plant. Feedlot farming is distinctive and requires specific care and diets which differ from those provided to free-range cattle. This activity represents a separate operating segment due to the distinctive characteristics of the cattle feedlot system and the industrialized meat processing in the packing plant. Our Agro-industrial segment had assets of Ps. 71 million and Ps. 42 million as of June 30, 2016 and 2015, respectively, representing 2% and 1% of our agricultural business assets at such dates, respectively. Our Agro-Industrial segment generated operating income of Ps. 1 million for the fiscal year ended June 30, 2014, representing (3%) of our consolidated operating income from Agricultural Business for such year, and operating loss of Ps. 63 million and Ps. 35 million for the fiscal years ended June 30, 2016 and 2015, respectively, representing (22%) and (11%), of our consolidated operating income from Agricultural Business for such years, respectively.

Our “Others” segment consists of the aggregation of the remaining operating segments, which do not meet the quantitative thresholds for disclosure. This segment includes the brokerage and sale of inputs activities. Our Others segment had assets of Ps. 129 million and Ps.114 million as of June 30, 2016 and 2015, respectively, representing 3% and 3% of our agricultural business assets at such dates, respectively. Our Others segment generated operating income of Ps. 2 million, Ps. 3 million and Ps. 3 million for fiscal years ended June 30, 2016, 2015 and 2014, representing 1%, 1% and (8%) of our consolidated operating income for such years, respectively.

Our Agricultural business is further comprised of eight reportable segments:

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Our “Agricultural production” segment consists of planting, harvesting and sale of crops as wheat, corn, soybeans, cotton and sunflowers; breeding, purchasing and/or fattening of free-range cattle for sale to slaughterhouses and local livestock auction markets; breeding and/or purchasing dairy cows for the production of raw milk for sale to local milk and milk-related products producers; and planting, harvesting and sale of sugarcane. Our Agricultural production segment had assets of Ps. 4,380 million and Ps. 2,994 million as of June 30, 2016 and 2015, respectively, representing 95% and 91% of our agricultural business assets at such dates, respectively. Our Agricultural production segment generated operating income of Ps. 312 million, operating loss of Ps. 250 million and operating loss Ps. 127 million for fiscal years ended June 30, 2016, 2015 and 2014, respectively, representing 107%, (4%) and (3%), of our consolidated operating income/loss from Agricultural Business for such years, respectively.

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Our "Land Transformation and Sales" segment comprises gains from the disposal and development of farmlands activities. Our Land Transformation and Sales segment had assets of Ps. 13 million and Ps. 13 million as of June 30, 2016 and 2015, respectively, representing 0% and 0% of our agricultural business assets at such dates, respectively. Our Land Transformation and Sales segment generated operating loss of Ps. 12 million for fiscal year ended June 30, 2016, representing (4%) of our consolidated operating income from Agricultural Business for such year, respectively, and operating income of Ps. 552 million and Ps. 78 million for fiscal years ended June 30, 2015 and 2014, representing 180% and (205%), of our consolidated operating income from Agricultural Business for such years, respectively.

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Our "Others" segment consists of the aggregation of the remaining operating segments, which do not meet the quantitative thresholds for disclosure. This segment includes the brokerage and sale of inputs activities. Our Others segment had assets of Ps. 222 million and Ps.274 million as of June 30, 2016 and 2015, respectively, representing 5% and 8% of our agricultural business assets at such dates, respectively. Our Others segment generated operating loss of Ps. 8 million, operating income Ps. 5 million and operating income Ps. 11 million for fiscal years ended June 30, 2016, 2015 and 2014, representing (3%), 2% and (29%) of our consolidated operating income from Agricultural Business for such years, respectively.

We have decided to break down reporting of our Urban properties and investment business into an Operation Center in Argentina and an Operation Center in Israel. From the Operation Center in Argentina, the Company, through IRSA and its subsidiaries, manages the businesses in Argentina and the international investments in the Lipstick Building in New York and the Condor hotel REIT. From the Operation Center in Israel, the Company manages IDBD.

Operations Center in Argentina

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

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Our "Shopping Centers" segment includes the operating results from our portfolio of shopping centers principally comprised of lease and service revenue from tenants. Our Shopping Centers segment had assets of Ps. 2,365 million and Ps. 2,400 million as of June 30, 2016 and 2015, respectively, representing 47.8% and 37.5% of our investment and development properties business assets for the Operations Center in Argentina at such dates, respectively. Our Shopping Centers segment generated operating income of Ps. 1,637 million, Ps. 1,190 million and Ps. 864 million, for fiscal years ended June 30, 2016, 2015 and 2014, respectively, representing 60.3%, 47.2% and 69.7%, of our consolidated operating income for the Operations Center in Argentina for such years, respectively.

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Our "Offices and Others" segment includes the operating results of our lease and service revenues of office space and other non-retail building properties principally comprised of lease and service revenue from tenants. Our Offices and Others segment had assets of Ps. 941 million and Ps. 1,036 million as of June 30, 2016 and 2015, respectively, representing 19.0% and 16.2% of our investment and development properties business assets for the Operations Center in Argentina at such dates, respectively. Our Offices and Others segment generated operating income of Ps. 219 million, Ps. 99 million and Ps. 160 million, for fiscal years ended June 30, 2016, 2015 and 2014, respectively, representing 8.1%, 3.9% and 12.9%, of our consolidated operating income for the Operations Center in Argentina for such years, respectively.

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Our "Sales and Developments" segment includes the operating results of our acquisition and/or construction of housing and other properties for sale in the ordinary course of business. Our Sales and Developments segment had assets of Ps. 585 million and Ps. 466 million as of June 30, 2016 and 2015, respectively, representing 11.8% and 7.3% of our investment and development properties business assets for the Operations Center in Argentina at such dates, respectively. Our Sales and Developments segment generated operating income of Ps. 864 million, Ps. 1,099 million and Ps. 239 million, for fiscal years ended June 30, 2016, 2015 and 2014, respectively, representing 31.8%, 43.6% and 19.3%, of our consolidated operating income for the Operations Center in Argentina for such years, respectively.

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Our "Hotels" segment includes the operating results of our hotels mainly comprised of room, catering and restaurant revenues. Our Hotels segment had assets of Ps. 174 million and Ps. 182 million as of June 30, 2016 and 2015, respectively, representing 3.5% and 2.8% of our investment and development properties business assets for the Operations Center in Argentina at such dates, respectively. Our Hotels segment generated, operating losses of Ps. 2 million and Ps. 13 million, and operating income of Ps. 10 million, for fiscal years ended June 30, 2016, 2015 and 2014, respectively, representing (0.1%), (0.5%) and 0.8%, of our consolidated operating income for the Operations Center in Argentina for such years.

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Our "International" segment includes investments that mainly operate in the United States in relation to the lease of office buildings and hotels in that country, and the results arising from investment in IDBD at fair value. We intend to continue evaluating investment opportunities outside Argentina as long as they offer attractive investment and development options. Our International segment generated operating losses of Ps. 2 million and operating income of Ps. 148 million, and operating losses of Ps. 30 million, for fiscal years ended June 30, 2016, 2015 and 2014, respectively, representing (0.1%), 5.9% and (2.4%), of our consolidated operating income for the Operations Center in Argentina for such years, respectively.

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Our "Financial Operations and Others" segment includes principally the income or loss generated by our associates Banco Hipotecario, BACS and Tarshop, and the residual financial operations of Metroshop carried on through Apsamedia. During fiscal year 2015, we decreased equity interest in Banco Hipotecario from 29.99% to 29.91%, held in the form of Class D shares, which are currently entitled to three votes per share. As of June 30, 2016, our investment in Banco Hipotecario generated income for Ps. 257 million. Tarshop's operations consist primarily of lending and servicing activities related to the credit card offered to consumers at retail venues. Our Financial Operations and Others segment had assets of Ps. 1,709 million and Ps. 1,411 million as of June 30, 2016 and 2015, respectively, representing 34.6% and 22.0% of our investment and development properties business assets for the Operations Center in Argentina at such dates, respectively. Our Financial Operations and Others segment generated operating losses for Ps. 1 million, Ps. 3 million and Ps. 3 million, for fiscal years ended June 30, 2016, 2015 and 2014, respectively, representing 0.0%, (0.1%) and (0.2%) of our consolidated operating income for the Operations Center in Argentina for such years.

Operations Center in Israel

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

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Our "Real Estate" segment includes mainly assets and operating income derived from business related to the subsidiary PBC. Through PBC, the Company operates rental properties and residential properties in Israel, United States and other parts of the world and carries out commercial projects in Las Vegas. Our Real Estate segment had net assets of Ps. 10,745 million as of June 30, 2016, representing 76.1% of our operating assets for the Operations Center in Israel at such date. Our Real Estate segment generated operating income of Ps. 617 million for fiscal year ended June 30, 2016, representing 85.7%, of our consolidated operating income for the Operations Center in Israel for such year.

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Our "Supermarkets" segment includes assets and operating income derived from the business related to the subsidiary Shufersal. Through Shufersal, the Company mainly operates a supermarket chain in Israel. Our Supermarkets segment had net assets of Ps. 5,826 million as of June 30, 2016, representing 41.2% of our operating assets for the Operations Center in Israel at such date. Our Supermarkets segment generated operating income of Ps. 424 million for fiscal year ended June 30, 2016, representing 58.9%, of our consolidated operating income for the Operations Center in Israel for such year.

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Our "Agrochemicals" segment includes income derived from the associate Adama. Adama is a company specialized in agrochemicals, particularly for the production of crops.. Our Agrochemicals segment generated operating income of Ps. 0 million for fiscal year ended June 30, 2016, for the Operations Center in Israel.

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Our "Telecommunications" segment includes assets and operating income derived from the business related to the subsidiary Cellcom. Cellcom is a provider of telecommunication services and its main activities include the provision of mobile phone services, fixed line phone services, data and Internet, among others. Our Telecommunications segment had net assets of Ps. 5,688 million as of June 30, 2016, representing 40.3% of our operating assets for the Operations Center in Israel at such date. Our Telecommunications segment generated operating losses of Ps. 71 million for fiscal year ended June 30, 2016, representing (9.9%), of our consolidated operating income for the Operations Center in Israel for such year.

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Our "Insurance" segment includes the investment in Clal. This company is one of the most important insurance groups in Israel, and is mainly engaged in pension and social security insurance, among others. As indicated in Note 16 of the Financial Statements, 51% of the controlling shares of Clal are held in a trust following the instructions of the Israel Securities Commission in order to comply with the sale of the controlling shares of Clal; as a result, Clal is not fully consolidated on a line-by-line basis but rather in a single line as a financial instrument at fair value, as required by the IFRS under the current circumstances where no control is exercised. Our Insurance segment had assets of Ps. 4,602 million as of June 30, 2016, representing 32.6% of our operating assets for the Operations Center in Israel at such date. Our Insurance segment generated operating income of Ps. 0 million for fiscal year ended June 30, 2016, for the Operations Center in Israel.

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Our "Others" segment includes the assets and income derived from other diverse business activities, such as technological developments, tourism, oil and gas assets, electronics, and others. Our Others segment had negative net assets of Ps. 12,737 million as of June 30, 2016, representing (90.2%) of our operating assets for the Operations Center in Israel at such date. Our Others segment generated operating losses of Ps. 250 million for fiscal year ended June 30, 2016, representing (34.7%), of our consolidated operating income for the Operations Center in Israel for such year.

Agricultural Business

As of June 30, 2016, we owned 27 farms with approximately 622,217 hectares distributed in Argentina, Brazil, Bolivia and Paraguay. Approximately 96,710 hectares of the land we own are used for crop production, approximately 71,937 hectares are for Cattle production, 85,000 hectares are for sheep production, 2,231 hectares are for milk production and approximately 2,435 hectares are leased to third parties for crop and cattle beef production. The remaining 363,904 hectares of land reserves are primarily natural woodlands. In addition, we have the rights to hold approximately 132,000 hectares of land under concession for a 35-year period that can be extended for another 29 years. Out of this total, we have developed 23,196 hectares for crop production. Also, during fiscal year 2016 ended on June 30, 2016, we leased 41,966 hectares to third parties for crop production and 13,455 hectares for Cattle production

The following table sets forth, at the dates indicated, the amount of land used for each production activity (including owned and leased land, and land under concession):

	2016(1)	2015(1)(6)	2014(1)(6)	2013(1)(6)	2012(1)(6)
Crops (2)	178,617	187,438	201,648	182,513	181,079
Cattle (3)	85,392	88,643	95,160	91,053	95,995
Milk/Dairy	2,231	2,864	2,864	2,780	3,022
Sheep	85,000	85,000	85,000	85,000	85,000
Land Reserves (4)	473,290	467,568	467,532	461,729	459,979
Own farmlands leased to third parties	2,435	10,026	13,111	31,593	25,538
Total (5)	826,965	841,539	865,315	854,668	850,613

(1)
Includes 35.72% of approximately 8,299 hectares owned by Agro-Uranga S.A., an affiliated Argentine company in which we own a non-controlling 35.72% interest.
(2)
Includes wheat, corn, sunflower, soybean, sorghum and others, including double crop production.
(3)
Breeding and fattening.
(4)
We use part of our land reserves to produce charcoal, rods and fence posts.
(5)
It includes Brasilagro and our interest in CRESCA at 50%.
(6)
Includes farms owned by Brasilagro and CRESUD sold in 2014 and 2015.

Strategy

We seek to maximize our return on assets and overall profitability by (i) identifying, acquiring and operating agricultural properties having attractive prospects for increased agricultural production and/or medium or long-term value appreciation and selectively disposing of properties as appreciation is realized, (ii) optimizing the yields and productivity of our agricultural properties through the implementation of state-of-the-art technologies and agricultural techniques and (iii) preserving the value of our significant long-term investment in the urban real estate sector through our subsidiary IRSA.

To such end, we seek to:

Focus on maximizing the value of our agricultural real estate assets

We conduct our agricultural activities with a focus on maximizing the value of our agricultural real estate assets. We rotate our portfolio of properties from time to time by purchasing properties which we believe have a high potential for appreciation and selling them selectively as opportunities arise to realize attractive capital gains. We achieve this by relying on the following principles:

- Acquiring under-utilized properties and enhancing their land use: We seek to purchase under-utilized properties at attractive prices and develop them to achieve more productive uses. We seek to do so by (i) transforming non-productive land into cattle feeding land, (ii) transforming cattle feeding land into land suitable for more productive agricultural uses, (iii) enhancing the value of agricultural lands by changing their use to more profitable agricultural activities; and (iv) reaching the final stage of the real estate development cycle by transforming rural properties into urban areas as the boundaries of urban development continue to extend into rural areas. To do so, we generally focus on acquisitions of properties outside of highly developed agricultural regions and/or properties whose value we believe is likely to be enhanced by proximity to existing or expected infrastructure.
- Applying modern technologies to enhance operating yields and property values. We believe that an opportunity exists to improve the productivity and long-term value of inexpensive and/or underdeveloped land by investing in modern technologies such as genetically modified and high yield seeds, direct sowing techniques, and machinery. We optimize crop yield through land rotation, irrigation and the use of fertilizers and agrochemicals. To enhance our cattle production, we use genetic technology and have a strict animal health plan controlled periodically through traceability systems. In addition, we have introduced state-of-the-art milking technologies in our dairy business.
- Anticipating market trends. We seek to anticipate market trends in the agribusiness sector by (i) identifying opportunities generated by economic development at local, regional and worldwide levels, (ii) detecting medium- and long-term increases or decreases in supply and demand caused by changes in the world's food consumption patterns and (iii) using land for the production of food and energy.
- International expansion. We believe that an attractive opportunity exists to acquire and develop agricultural properties outside Argentina, and our objective is to replicate our business model in other countries. Although most of our properties are located in different areas of Argentina, we have begun a process of expansion into other Latin American countries, including Brazil, Bolivia, and Paraguay.

Increase and optimize production yields

We seek to increase and improve our production yields through the following initiatives:

Implementation of technology.

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- To improve crop production, we use state-of-the-art technology. We invest in machinery and the implementation of agricultural techniques such as direct sowing. In addition, we use high-potential seeds (GMOs) and fertilizers and we apply advanced land rotation techniques. In addition, we consider installing irrigation equipment in some of our farms.
- To increase cattle production we use advanced breeding techniques and technologies related to animal health. Moreover, we optimize the use of pastures and we make investments in infrastructure, including installation of watering troughs and electrical fencing. In addition, we have one of the few vertically integrated cattle processing operations in Argentina through Sociedad Anónima Carnes Pampeanas S.A.
- In our milking facility, we have implemented an individual animal identification system, using plastic tags for our cattle and “RFID” tags. We use software from Westfalia Co. which enables us to store individual information about each of our dairy cows.

Increased production.

Our goal is to increase our crop, cattle and milk production in order to achieve economies of scale by:

- Increasing our owned land in various regions by taking advantage of attractive land purchase opportunities. In addition, we expand our production areas by developing lands in regions where agricultural and livestock production is not developed to its full potential. We believe in the use of technological tools for improving the productivity of our land reserves and enhancing their long-term value. However, current or future environmental regulations could prevent us from fully developing our lands by demanding us to maintain part of them as natural woodlands not allocated to production.
- Diversifying our production and the weather risk by leasing farms, thus expanding our product portfolio and optimizing our geographic focus, in particular in areas that are not appealing in terms of land value appreciation but with attractive productivity levels. We believe that this diversification mix mitigates our exposure to seasonality, commodity price fluctuations, weather conditions and other factors affecting the agricultural and livestock sector.
- Moreover, we believe that continuing to expand our agricultural operations outside of Argentina will help us improve even more our ability to produce new agricultural products, further diversifying our mix of products, and mitigating our exposure to regional weather conditions and country-specific risks.

Focus on preserving long-term value of our investment in our real estate subsidiary IRSA

As a leading company engaged in acquiring, developing and managing real estate, IRSA seeks to (i) generate stable cash flows through the operation of its real estate rental assets (shopping centers, office buildings, hotels), (ii) achieve long-term appreciation of its asset portfolio by taking advantage of development opportunities, (iii) increase the productivity of its land reserves and enhance the margins of its 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 Center. Our main purpose is to maximize our shareholders' profitability. By using our know-how in the shopping center industry in Argentina as well as our leading position, we seek to generate a sustainable growth of cash flow and to increase the long-term value of our real estate assets. We attempt to take advantage of the unsatisfied supply in different urban areas of the region, as well as of our customers' purchase experience. Therefore, we seek to develop new shopping centers in urban areas with attractive prospects for growth, including Buenos Aires' Metropolitan area, some cities in the provinces of Argentina and possibly, other places abroad. To achieve this strategy, the close business relationship we have had for years with more than 1,000 retail companies and trademarks composing our selected group of tenants is of utmost importance, as it allows us to offer an adequate mix of tenants for each particular case.
- Offices and Others. We seek to purchase and develop premium office buildings in strategically-located business districts in the City of Buenos Aires and other strategic locations that we believe offer return and potential for long-term capital gain. We expect to continue our focus on attracting premium corporate tenants to our office buildings. Furthermore, we intend to consider new opportunities on a selective basis to acquire or construct new rental office buildings.
- Sales and Developments. We seek to purchase undeveloped properties in densely-populated areas and build apartment complexes offering green space for recreational activities. We also seek to develop residential communities by acquiring undeveloped properties with convenient access to the City of Buenos Aires, developing roads and other basic infrastructure such as electric power and water, and then selling lots for the construction of residential units. The scarcity of mortgage financing restricted the growth in low class home purchases and, as a result, we mainly focused on the development of residential communities for middle and high-income individuals, who do not need to finance their home purchases. We seek to continue to acquire undeveloped land at locations we consider attractive within and outside Buenos Aires. In each case, our intention is to purchase land with significant development or appreciation potential to resell. We believe that holding a portfolio of desirable undeveloped plots of land enhances our ability to make strategic long-term investments and affords us a valuable pipeline of new development projects for upcoming years.
- Hotels. We believe our portfolio of three luxury hotels is positioned to take advantage of the future growth in tourism and business travel in Argentina. We seek to continue with our strategy to invest in high-quality properties that are operated by leading international hotel companies to capitalize on their operating experience and international reputation. We also seek to continue to invest in improvements for our hotels.
- International. In this segment, we seek investments that represent an opportunity of capital appreciation potential in the long term. After the international financial crisis in 2008, we took advantage of the price opportunity in the real estate sector in the United States and invested in two office buildings in Manhattan, New York. In 2015, we sold the Madison building and we hold a 49.9% interest in a US company, whose main asset is the so-called "Lipstick" office building located in the City of New York. In addition, jointly with subsidiaries, we hold 49.0% of the voting securities of Condor Hospitality Trust REIT (NASDAQ: CDOR). We intend to continue evaluating -on a selective basis- investment opportunities outside Argentina as long as they offer attractive investment and development options.

Financial Operations and Other. Through our investment in Banco Hipotecario, the main mortgage-lending bank in Argentina, we believe that we are able to achieve good synergies in the long term with a developed mortgage market.

Operations Center in Israel

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

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Real Estate. PBC has partnered with IDBD in two projects based in Las Vegas, through IDBG Ltd., including commercial and office building project (Tivoli). The first stage of this project has been fully completed. The second stage of the project is undergoing the building and marketing stages, and will include commercial areas with a surface area of approximately 16,000 square meters and office areas with a surface area of approximately 12,000 square meters. We have already entered into lease agreements with an anchor tenant and other tenants covering approximately 66% of the commercial area included in the second stage of the project and around 8% of the office areas. We also expect to develop an additional project encompassing two residential buildings and, during the year under review, have sold all the remaining residential units of these buildings.

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

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

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

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

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

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Our Principal Business Activities

During fiscal year ended June 30, 2016, we conducted our operations on 30 owned farms and 35 leased farms. Some of the farms we own are engaged in more than one productive activity at the same time.

The following chart shows, for fiscal year 2016, the surface area in operation for each line of business:

The following chart illustrates, for the fiscal year ended on June 30, 2016, the surface area in operation and the hectares held as land reserves, classified into own, under lease or under concession:

Agricultural Business

Land Transformation and Sales

Land Acquisitions

We intend to increase our farmland portfolio by acquiring large extensions of land with high appreciation potential. We also intend to transform the land acquired from non-productive to cattle breeding, from cattle breeding to farming, applying state-of-the-art technology to improve farming yields so as to generate higher land appreciation.

In our view, the sector's potential lies in developing marginal areas and/or under-utilized areas. Thanks to the current technology, we may achieve similar yields with higher profitability than core areas, resulting in the appreciation of land values.

Over the past 15 years, prices of farmlands intended for agricultural production have increased in the southern hemisphere (mainly South America) but continue to be relatively low compared to the northern hemisphere (U.S. and Europe). Our financial strength relative to other Argentine producers gives us the chance to increase our land holdings at attractive prices, improve our production scale and create potential for capital appreciation.

Several important intermediaries, with whom we usually work, bring farmlands available for sale to our attention. The decision to acquire farmlands is based on the assessment of a large number of factors. In addition to the land's location, we normally carry out an analysis of soil and water, including the quality of the soil and its suitability for our intended use (crops, cattle, or milk production), classify the various sectors of the lot and the prior use of the farmland; analyze the improvements in the property, any easements, rights of way or other variables in relation to the property title; examine satellite photographs of the property (useful in the survey of soil drainage characteristics during the different rain cycles) and detailed comparative data regarding neighboring farms (generally covering a 50-km area). Based on the foregoing factors, we assess the farmland in terms of the sales price compared against the production potential of the land and capital appreciation potential. We consider that competition for the acquisition of farmlands is, in general, limited to small farmers for the acquisition of smaller lots, and that there is scarce competition for the acquisition of bigger lots.

In addition, we may consider the acquisition of farmlands in marginal zones and their improvement by irrigation in non-productive areas as well as the installation of irrigation devices in order to obtain attractive production yields and create potential for capital appreciation.

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The following chart shows certain information concerning our land acquisitions for each of the last 10 fiscal years ended on June 30:

Fiscal Year	Number of Farmlands	Amount of Acquisitions (Ps. million)
2006 (1)	1	45.9
2007 (2)	1	7.3
2008 (3)	2	4.5
2009 (4)	7	133.2
2010 (5)	1	5.0
2011 (6)	3	61.5
2012	-	-
2013	-	-
2014	-	-
2015	-	-
2016	-	-

(1)
Includes the acquisition of “San Pedro” farmland of 6,022 hectares.
(2)
Includes the acquisition of “8 de Julio” farmland of 90,000 hectares.
(3)
Includes the acquisition of the remaining 25% of “La Adela” farmland of 18 hectares and 80% of “La Esperanza” farmland of 980 hectares.
(4)
Includes the acquisition of "Estancia Carmen", "Puertas de Luján", "Las Londras", "San Cayetano", "San Rafael", and "La Fon Fon" farmlands and 50% of "Jerovia" farmland, of 10,911, 115, 4,566, 883, 2,969, 3,748 and 20,966 hectares, respectively.
(5)
Includes exercise of the option over 50% of the “Jerovía” farmland of 3,646 hectares.
(6)
Includes the acquisition of “La Primavera” and “4 Vientos” farmlands of 2,341 hectares and 2,659 hectares, respectively. In addition, it includes the acquisition of 943 hectares of the Mendoza farmland.

Land Sales

We periodically sell properties that have reached a considerable appraisal to reinvest in new farms with higher appreciation potential. We analyze the possibility of selling based on a number of factors, including the expected future yield of the farmland for continued agricultural and livestock exploitation, the availability of other investment opportunities and cyclical factors that have a bearing on the global values of farmlands.

The following chart shows certain information concerning our land sales for each of the last 10 fiscal years ended on June 30:

Fiscal Year	Number of Farmlands	Gross Proceeds from Sales (Ps. million)	Profit(1)

			(Ps. million)
2006 (2)	1	16.1	9.9
2007 (3)	3	29.9	22.3
2008 (4)	2	23.0	20.0
2009 (5)	2	2.0	1.9
2010 (6)	1	18.6	13.7
2011 (7)	2	84.5	54.6
2012 (8)	3	118.3	63.2
2013 (9)	4	332.6	149.6
2014 (10)	2	148.5	91.4
2015(11)(12)	4	814.3	569.6
2016	-	-	-

(1)
Includes the difference between the gross proceeds from sales (net of all taxes and commissions) and the book value of the assets sold.
(2)
Includes the sale of "El Gualicho" farmland of 5,727 hectares.
(3)
Includes the sale of 20,833 hectares of "Tapenagá" farmland and the partial sale of 14,516 hectares of "Los Pozos" farmland and 50 hectares of "El Recreo" farmland.
(4)
Includes the partial sale of 4,974 hectares of "Los Pozos" farmland and the partial sale of 2,430 hectares of "La Esmeralda" farmland.
(5)
Includes the partial sale of 1,658 hectares of "Los Pozos" farmland and the partial sale of 1,829 hectares of "El Recreo" farmland.
(6)
Includes the sale of 12,071 hectares of "Tali Sumaj."
(7)
Includes the sale of "La Juanita" farmland, of 4,302 hectares, and the partial sale of 910 hectares of "La Fon Fon."
(8)
Includes the sale of 2,447 hectares of "San Pedro" farmland, the partial sale of 1,194 hectares of "La Fon Fon" farmland, and the partial sale of 115 hectares of "Puerta de Lujan" farmland.
(9)
Includes the sale of 14,359 hectares of "Horizontina" farmland, the partial sale of 394 hectares of "Araucaria" farmland, the partial sale of "Cremaq" farmland of 4,985 hectares, and the partial sale of 5,613 hectares of La "Suiza" farmland.
(10)
Includes the sale of 883 hectares of "San Cayetano" farmland and the partial sale of 1,164 hectares of "Araucaria" farmland.
(11)
Includes the sale of 1,058 hectares of "La Adela" farmland, 24,624 hectares of "Chaco Paraguayo" farmland, 1,643 hectares of "Fon Fon" farmland and the remainder sale of 27,745 hectares of "Cremaq" farmland.

(12)
The sale of "La Adela" to our subsidiary IRSA was a transaction between related parties and generated therefore no results under the IFRS and it was not included in the gain from disposition of farms for Ps. 569.5 million.

After recording farm sales for Ps. 814 million in 2015, we did not close any transactions during fiscal year 2016. Specifically in Argentina, the farmland sale market was affected during the last years by the controls on capitals that prevailed until December 2015 and the profitability conditions of the business. With the new administration and new government policies for the farming industry we have seen a positive change in this market's prospects. In this regard, after year-end we sold the "El Invierno" and "La Esperanza" farms, comprising 2,615 hectares used for agriculture and located in the district of "Rancul", province of La Pampa, for US$ 6 million (US$ 2,294 per hectare). These farms' book value was approximately Ps. 13.5 million; therefore, the transaction will result in a gain of Ps. 72 million, which will be recorded in the first quarter of fiscal year 2017.

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Farmland Development

We consider that there is great potential in farmland development where, through the use of current technology, we may achieve similar yields with higher profitability than in core areas.

As of June 30, 2016, we owned land reserves in the region extending over more than 365,306 hectares of own farmlands that were purchased at very attractive prices. In addition, we have a concession 107,984 hectares reserved for future development. We believe that there are technological tools available to improve productivity in these farms and, therefore, achieve appreciation in the long term. However, current or future environmental regulations could prevent us from fully developing our land reserves by requiring that we maintain part of this land as natural woodlands not to be used for production purposes.

During fiscal year 2016, we conducted our land development business in Argentina mainly in Los Pozos, where we developed 2,486 hectares in La Paz and Don Mario modules. Moreover, we developed 548 hectares in La Suiza intended for agricultural production.

Our developments in Brazil, through our subsidiary Brasilagro, consisted of 4,416 hectares of developed land intended for agriculture.

In connection with our business in Paraguay, we developed, through CRESCA, 1,400 hectares for agricultural production.

Results

The following table shows this segment's results for fiscal year 2016, compared to the two preceding fiscal years:

In millions of Ps.	Fiscal Year 2016	Fiscal Year 2015	Fiscal Year 2014	YoY var 2016 vs. 2015
Revenues	-	-	-	-
Costs	(9)	(9)	(8)	0.0%
Gross Loss	(9)	(9)	(8)	0.0%
(Loss)/Gain from disposition of farmlands	(2)	570	91	-
Profit/(Loss) from operations	(12)	552	78	-
Segment Profit/(Loss)	(12)	552	78	-

Area under Development (hectares)	Developed 2014/2015	Developed 2015/2016
Argentina	1,703	3,034
Brazil	7,475	4,416
Paraguay (1)	2,367	1,400
Total	11,545	8,850

(1) Includes the farms of Cresca S.A. at 100%.

Agricultural Production

Crops and Sugarcane

Our crop production is mainly based on grains, oilseeds and sugarcane. Our main crops include soybean, wheat, corn, and sunflower. Other crops, such as sorghum and peanut, are sown occasionally and represent only a small percentage of total sown land.

Production

The following table shows, for the fiscal years indicated, our crop production volumes measured in tons:

Production Volume(1)	FY 2016	FY2015	FY2014	FY2013	FY2012
Corn	229,893	310,874	155,759	194,870	247,839
Soybean	168,916	279,608	242,349	220,540	196,515
Wheat	16,186	15,990	12,373	4,392	18,625
Sorghum	1,127	1,740	4,502	6,709	7,791
Sunflower	3,053	11,992	5,803	12,437	14,503
Other	6,432	6,999	2,476	5,002	6,774
Total Crops (tons)	425,607	627,203	423,262	443,950	492,047
Sugarcane (tons)	1,228,830	928,273	657,547	1,156,848	576,048
Cattle herd	7,714	7,812	6,970	7,723	8,936
Milking cows	491	524	489	470	445
Cattle (tons)	8,205	8,336	7,459	8,193	9,381
Milk (thousand of liters)	16,723	17,526	19,320	18,459	16,563

(1)
Includes CRESCA at 50%. Does not include Agro-Uranga S.A.

Below is the geographical distribution of our agricultural production for the last five seasons (in tons):

2016 Season	Argentina	Brazil	Bolivia	Paraguay	Total
Corn	189,708	19,982	13,233	6,969	229,893
Soybean	117,744	26,252	15,416	9,505	168,916
Wheat	15,525	-	661	-	16,186
Sorghum	56	-	773	298	1,127
Sunflower	3,053	-	-	-	3,053
Other	5,367	1,065	-	-	6,432
Total Grains and Other	331,453	47,299	30,083	16,772	425,607
Sugarcane	-	1,075,183	153,648	-	1,228,830

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2015 Season	Argentina	Brazil	Bolivia	Paraguay	Total
Corn	253,929	40,102	10,199	6,644	310,874
Soybean	132,101	111,751	30,471	5,285	279,608
Wheat	15,990	-	-	-	15,990
Sorghum	538	-	406	796	1,740
Sunflower	11,992	-	-	-	11,992
Other	6,917	-	-	82	6,999
Total Grains and Other	421,467	151,853	41,076	12,807	627,203
Sugarcane	-	830,204	98,069	-	928,273

2014 Season	Argentina	Brazil	Bolivia	Paraguay	Total
Corn	93,388	50,102	11,445	826	155,761
Soybean	108,088	108,107	20,821	5,334	242,350
Wheat	12,373	-	-	-	12,373
Sorghum	1,367	-	2,487	648	4,502
Sunflower	5,756	-	47	-	5,803
Other	1,926	534	-	16	2,476
Total Grains and Other	222,898	158,743	34,800	6,824	423,265
Sugarcane	-	570,820	86,727	-	657,547

2013 Season	Argentina	Brazil	Bolivia	Paraguay	Total
Corn	145,949	34,630	14,291	-	194,870
Soybean	82,476	106,276	31,601	187	220,540
Wheat	3,111	-	1,281	-	4,392
Sorghum	3,766	-	2,638	305	6,709
Sunflower	12,090	-	347	-	12,437
Other	2,644	2,358	-	-	5,002
Total Grains and Other	250,036	143,264	50,158	492	443,950
Sugarcane	-	1,014,234	142,614	-	1,156,848

2012 Season	Argentina	Brazil	Bolivia	Paraguay	Total
Corn	153,889	72,387	21,563	-	247,839
Soybean	83,221	83,319	29,976	-	196,516
Wheat	17,637	-	988	-	18,625
Sorghum	3,360	-	4,431	-	7,791
Sunflower	13,210	-	1,293	-	14,503
Other	5,494	1,280	-	-	6,774
Total Grains and Other	276,811	156,986	58,251	-	492,048
Sugarcane	-	576,030	18	-	576,048

Sales

Below is the total volume of grains and sugarcane sold broken down into geographical areas, measured in millions of tons:

Volume of Sales(3)	FY2016 D.M.(1)	FY2016 F.M.(2)	FY2016 Total	FY2015 D.M.(1)	FY2015 F.M.(2)	FY2015 Total	FY2014 D.M.(1)	FY2014 F.M.(2)	FY2014 Total	FY2013 D.M.(1)	FY2013 F.M.(2)	FY2013 Total	FY2012 D.M.(1)	FY2012 F.M.(2)	FY2012 To
Corn	217.3	37.9	255.2	269.7	0.0	269.7	179.9	0.0	179.9	233.3	37.8	271.1	202.3	21.8	22
Soybean	182.5	15.8	198.3	172.9	77.2	250.1	188.9	33.2	222.1	153.4	55.4	208.8	228.6	23.0	2
Wheat	17.3	29.3	46.6	7.0	0.1	7.1	11.4	0.0	11.4	10.7	0.0	10.7	15.2	5.5	2
Sorghum	1.0	0.0	1.0	1.6	0.0	1.6	3.8	0.0	3.8	5.8	0.0	5.8	8.5	0.0	
Sunflower	10.4	0.0	10.4	5.2	0.0	5.2	9.7	0.0	9.7	10.6	0.0	10.6	18.1	0.0	
Other	5.9	0.0	5.9	1.9	0.0	1.9	6.2	0.3	6.5	14.0	0.1	14.1	12.0	0.0	
Total Grains (tons)	434.4	83.0	517.4	458.3	77.3	535.6	399.9	33.5	433.4	427.8	93.3	521.1	484.2	503	53
Sugarcane (tons)	1,219.7	0.0	1,219.7	924.5	-	924.5	675.7	-	675.7	1,179.9	-	1,179.9	636.3	-	63
Cattle herd	8.3	0.0	8.3	8.9	0.0	8.9	8.8	0.0	8.8	9.6	0.0	9.6	15.0	-	
Milking cows	0.7	0.0	0.7	0.9	0.0	0.9	0.5	0.0	0.5	0.5	0.0	0.5	0.5	-	
Beef-Cattle (tons)	9.0	0.0	9.0	9.8	-	9.8	9.3	-	9.3	10.1	-	10.1	15.5	-	
Milk (in millions of liters)	15.5	0.0	15.5	16.9	-	16.9	18.8	-	18.8	17.9	-	17.9	16.3	-	

(1) Domestic Market.
(2) Foreign Market.
(3) Includes Brasilagro and CRESCA at 50%, Acres del Sud, Ombú, Yatay and Yuchán. Does not include Agro-Uranga.

The following table shows the sown surface area assigned to crop production, classified into owned, under lease, under concession and leased to third parties for the fiscal years indicated below, measured in hectares:

	2016(1)(2)	2015(1)(2)	2014(1)(2)	2013(1)(2)	2012(1)(2)
Own	112,112	128,795	122,632	127,952	127,793
Under lease	43,309	58,167	58,030	45,624	44,508
Under concession	23,196	21,547	20,986	8,937	8,778
Leased to third parties	2,365	3,267	7,616	18,223	23,595
Total	180,982	211,776	209,264	200,736	204,674

(1)
Sown land may differ from that indicated under "Uses of Land", since some hectares are sown twice in the same season and therefore are counted twice.
(2)
Includes CRESCA at 50%. Does not include Agro-Uranga.

Stock	2016 Season	2015 Season	2014 Season	YoY var 2016/2015	YoY var 2015/2014
Corn	21,233	61,157	17,604	(65.3%)	247.4%
Soybean	69,665	99,972	75,885	(30.3%)	31.74%
Sunflower	913	8,594	1,825	(89.4%)	370.9%
Sorghum	369	198	522	86.4%	(62.1%)
Wheat	4,964	9,377	681	(47.1%)	1,276.9%
Cotton	-	-	-	0.0%	0.0%
Sugarcane	-	-	-	0.0%	0.0%
Other	2,975	4,500	32,608	(33.9%)	(86.2%)

Total	100,119	183,798	129,125	(45.5%)	42.3%

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We seek to diversify our mix of products and the geographic location of our farmlands to achieve an adequate balance between the two principal risks associated with our activities: weather conditions and the fluctuations in the prices of commodities. In order to reduce such risks, we own and lease land in several areas of Argentina with different climate conditions that allow us to sow a diversified range of products. Our leased land for crops is mostly located in the Pampas region, a favorable area for crop production. The leased farms are previously studied by technicians who analyze future production expectations based on the historic use of the land. The initial duration of lease agreements is typically one or three seasons. Leases of farms for production of crops generally consist of lease agreements with payments based on a fixed amount of Pesos per hectare or sharecropping agreements with payments in kind based on a percentage of the crops obtained or a fixed amount of tons of grains obtained or their equivalent value in Pesos. The principal advantage of leasing farms is that leases do not require us to commit large amounts of capital to the acquisition of lands but allow us to increase our scale in the short term and reduce the risk of inclement weather. The disadvantage of this strategy is that the cost of leasing can increase over time, in part, because increased demand for leased land increases the price of leased land.

In order to increase our production yields, we use, besides state-of-the-art technology, labor control methods which imply the supervision of the seeding's quality (density, fertilization, distribution, and depth), crop monitoring (determination of natural losses and losses caused by harvester) and verification of bagged crop quality. In this way, we work jointly with our suppliers to achieve the best management of inputs, water and soil.

Wheat seeding takes place from June to August, and harvesting takes place from December to January. Corn, soybean and sunflower are sown from September to December and are harvested from February to August. Grains are available to be sold as commodities after the harvest from December to June and we usually store part of our production until prices recover after the drop that normally takes place during the harvesting season. A major part of production, especially soybean, wheat, corn and sorghum, is sold and delivered to buyers pursuant to agreements in which price conditions are fixed by reference to the market price at a specific time in the future that we determine. The rest of the production is either sold at current market prices or delivered to cover any futures contract that we may have entered into.

Agro-Uranga S.A.

We have a 35.72% interest in Agro-Uranga S.A. ("Agro-Uranga"). This company optimizes production processes and attains excellent results, with special emphasis in soil conservation, the application of rational techniques and care of the environment.

At present, with the assistance of its foreign trade team it is seeking to develop new products so as to significantly increase export volumes, encouraged by the world's growing demand.

Lease of Farmlands

We conduct our business on owned and leased land. Rental payments increase our production costs, as the amounts paid as rent are accounted for as operating expenses. As a result, production costs per hectare of leased land are higher than for the land owned by us.

Our land leasing policy is designed to supplement our expansion strategy, using our liquidity to make production investments in our principal agricultural activities. On the other hand, our leasing strategy provides us with an added level of flexibility in the share of each of our products in total production, providing for greater diversification.

The initial duration of lease agreements is typically one crop season. Leases of farms for production of crops consist in lease agreements with payments based on a fixed amount of Pesos per hectare or sharecropping agreements with payments in kind based on a percentage of the crops obtained or a fixed amount of tons of grains obtained or their equivalent value in Pesos. Leases of farmlands for cattle breeding consist in lease agreements with fixed payments based on a fixed amount of Pesos per hectare or steer kilograms or capitalization agreements with payments in kind or in cash based on the weight gain in kilograms.

During fiscal year 2016, we leased to third parties a total of 35 farmlands, covering 56,003 hectares, including 11,718 hectares in Brazil. Out of the total leased area, 43,309 hectares were assigned to agricultural production, including double crops, and 12,635 hectares to cattle raising. The properties for agricultural production were leased, primarily, for a fixed price prior to harvest and only a small percentage consisted of sharecropping agreements.

The following table shows a breakdown of the number of hectares of leased land used for each of our principal production activities:

	2016	2015	2014	2013	2012
Crops(1)	43,309	58,167	58,030	45,624	44,508
Cattle	12,635	13,501	18,549	12,635	12,635

(1)
Includes Brasilagro.

Due to the rise in the price of land, we adopted a policy of not validating excessive prices and applying strict criteria upon adopting the decision to lease, selecting those lands with values that would ensure appropriate margins.

Results

The following table shows the Company's results for fiscal year 2016, compared to the two preceding fiscal years:

Crops

In millions of Ps.	Fiscal Year 2016	Fiscal Year 2015	Fiscal Year 2014	YoY var 2016 vs. 2015	YoY var 2015 vs. 2014
Revenues	1,152	987	837	16.8%	17.9%
Costs	(1,813)	(1,819)	(1,539)	(0.3%)	18.1%
Initial recognition and changes in the fair value of biological assets and agricultural products at the point of harvest	1,071	918	868	16.6%	5.8%
Changes in the net realizable value of agricultural products after harvest	208	(34)	(17)	-	100%
Gross profit	618	52	149	1088.5%	(65.1%)
General and administrative expenses	(174)	(159)	(147)	9.4%	8.2%
Selling expenses	(216)	(161)	(115)	34.2%	40.0%
Other operating results, net	(74)	(9)	(27)	722.2%	(66.6%)
Profit/(Loss) from operations	154	(277)	(140)	-	-
Share of profit/(loss) of associates and joint ventures	26	1	11	(2500.0%)	(90.9%)
Segment Profit/(Loss)	180	(276)	(129)	-	-

Sugarcane

In millions of Ps.	Fiscal Year 2016	Fiscal Year 2015	Fiscal Year 2014	YoY var 2016 vs. 2015	YoY var 2015 vs. 2014
Revenues	294	198	124	48.5%	59.7%
Costs	(511)	(368)	(207)	38.8%	77.8%
Initial recognition and changes in the fair value of biological assets and agricultural products at the point of harvest	318	187	96	70.5%	94.8%
Gross profit	101	17	13	494.1%	30.8%
General and administrative expenses	(34)	(20)	(28)	70.0%	(28.6%)
Selling expenses	(8)	(8)	(8)	-	-
Other operating results, net	4	(2)	-	-	-
(Loss)/Profit from operations	63	(13)	(23)	-	-
Segment (Loss)/Profit	63	(13)	(23)	-	-

Cattle

Our cattle production involves the breeding and fattening of our own animals. In some cases, if market conditions are favorable, we also purchase and fatten cattle which we sell to slaughterhouses and supermarkets. As of June 2016, our cattle aggregated 69,873 heads, and we had a total surface area of 85,392 hectares of own and leased lands devoted to this business activity. In addition, we have leased to third parties 70 hectares assigned to these activities.

During the fiscal year ended June 30, 2016, our production was 7,714 tons, a 1.2% year-on-year decrease.

The following table sets forth, for the fiscal years indicated below, the cattle production volumes measured in tons:

	2016(1)	2015(1)	2014(1)	2013(1)	2012(1)
Cattle production	7,714	7,812	6,970	7,723	8,936

(1)
Production measured in tons of live weight. Production is the sum of the net increases (or decreases) during a given period in live weight of each head of cattle owned by us.

Our cattle breeding activities are carried out with breeding cows and bulls and our fattening activities apply to steer, heifers and calves. Breeding cows calve approximately once a year and their productive lifespan is from six to seven years. Six months after birth, calves are weaned and transferred to fattening pastures. Acquired cattle are directly submitted to the fattening process. Upon starting this process, cattle have been grazing for approximately one year to one and a half year in order to be fattened for sale. Steer and heifers are sold when they have achieved a weight of 380–430 kg and 280–295 kg, respectively, depending on the breed.

Pregnancy levels, which have been improving over the years, showed satisfactory levels of efficiency notwithstanding the adverse weather conditions. Genetics and herd management are expected to further improve pregnancy levels in the coming years. Reproductive indicators improved thanks to the implementation of technologies, which have included handling techniques and females artificial insemination with cattle genetics especially selected for the stock which is purchased from specialized companies in quality semen elaboration for meat production. We use veterinarian products manufactured by leading national and international laboratories. It is important to emphasize the work of a veterinarian advising committee, who are external to us and visit each establishment monthly to control and agree tasks.

Currently, the cattle raising farms are officially registered as export farmlands pursuant to the identification and traceability rules in force in Argentina. Animals are individually identified, thus allowing for the development of special businesses in this area.

Our cattle stock is organized into breeding and fattening activities. The following table shows, for the fiscal years indicated, the number of head of cattle for each activity:

	2016	2015	2014
Breeding stock	58,747	52,052	54,808
Winter grazing stock	11,126	12,102	10,932
Total Stock (heads)	69,873	64,154	65,740

We seek to improve cattle production and quality in order to obtain a higher price through advanced breeding techniques. We cross breed our stock of Indicus, British (Angus and Hereford) and Continental breeds to obtain herds with characteristics better suited to the pastures in which they graze. To enhance the quality of our herds even further, we plan to continue improving our pastures through permanent investment in seeds and fertilizers, an increase in the watering troughs available in pastures, and the acquisition of round bailers to cut and roll grass for storage purposes.

Our emphasis on improving the quality of our herd also includes the use of animal health-related technologies. We comply with national animal health standards that include laboratory analyses and vaccination aimed at controlling and preventing disease in our herd, particularly FMD.

Direct costs of beef production consist primarily of crops for feeding and dietary supplementation purposes, animal health and payroll costs, among others.

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Results

The following table shows this segment’s results for fiscal year 2016, compared to the two preceding fiscal years:

In millions of Ps.	Fiscal Year 2016	Fiscal Year 2015	Fiscal Year 2014	YoY var 2016 vs. 2015	YoY var 2015 vs. 2014
Revenues	178	143	90	24.5%	58.9%
Costs	(268)	(225)	(161)	19.1%	39.8%
Initial recognition and changes in the fair value of biological assets and agricultural products at the point of harvest	254	167	145	52.1%	15.2%
Changes in the net realizable value of agricultural products after harvest	-	-	-	-	-
Gross Profit	164	85	74	92.9%	14.9%
General and administrative expenses	(40)	(26)	(27)	53.8%	(3.7%)
Selling expenses	(19)	(20)	(14)	(5.0%)	42.9%
Other operating results, net	(2)	(3)	(2)	(33.3%)	50.0%
Profit/ (Loss) from operations	103	36	31	186.1%	16.1%
Segment Profit / (Loss)	103	36	31	186.1%	16.1%

Dairy

As of June 30, 2016, we conducted our milk business in the dairy facility located in “El Tigre” farm in the Province of La Pampa, Argentina. We have a milking capacity of 1,788 cows per day and seek to increase total productivity through the application of new technologies including improved genetic management for milk production, strategic feeding plans, based on cattle specific requirements and the use of individual traceability to know the productivity history of each animal. We also use computer science applied to the milk business to make more efficient the manual labor by surveying the information supplied by the farm.

Within the process of de-commoditization and technological innovation, we implemented an identification and tracking system in compliance with European and SENASA standards. We also obtained Global Gap and HCCP certification. Our goal in this respect is to distinguish our production and obtain higher prices in production sales.

Our milk production is based on a herd of Holando Argentina dairy cows, genetically selected through the use of imported frozen semen of North American Holando bulls. Male calves are sold, at calving, for a given amount per head, whereas female calves are weaned after 24 hours, spend approximately 60 days in raising and approximately 100 days being fed on the basis of grass, grains and supplements. Young heifers then graze for an additional 12 to 15 month period, prior to artificial insemination at the age of 18 to 20 months and they calve nine months later. Heifers are subsequently milked for an average of 300 days. Milking dairy cows are once again inseminated during the 60 to 90 day subsequent period. This process is repeated once a year during six or seven years. The pregnancy rate for our dairy cows is 80-90%.

Our dairy herd is milked mechanically twice a day. The milk obtained is cooled to less than five degrees centigrade to preserve quality and is then stored in a tank for delivery once a day to trucks sent by buyers. Dairy cows are fed mainly with grass, supplemented as needed with grains, hay and silage. We have invested in certain technologies that focus on genetic improvement, animal health and feeding in order to improve our milk production. These investments include imports of top quality frozen semen from genetically improved North American Holstein bulls, agricultural machinery and devices such as feed-mixer trucks, use of dietary supplements and the installation of modern equipment to control milk cooling. We are currently acquiring dietary supplements for our dairy cows and have made investments with the aim of increasing the quantity and quality of forage (pasture, alfalfa and corn silage) in order to reduce feeding costs.

The following table sets forth, for the periods indicated, the average number of our dairy cows and average daily production per cow:

	2016	2015	2014
Average dairy cows per day (heads)	1,788	2,189	2,439
Milk Production/Dairy Cow/Day (liters)	23.81	21.48	19.69

At the closing of fiscal year 2016, we had 5,047 heads of cattle on 2,231 hectares involved in the production of milk; whereas as of June 30, 2015, we had 5,658 heads of cattle on 2,864 hectares.

Results

The following table shows this segment's results for fiscal year 2016, compared to the two preceding fiscal years:

In millions of Ps.	Fiscal Year 2016	Fiscal Year 2015	Fiscal Year 2014	YoY var 2016 vs. 2015	YoY var 2015 vs. 2014
Revenues	65	72	54	(9.7%)	33.3%
Costs	(135)	(133)	(104)	1.5%	27.9%
Initial recognition and changes in the fair value of biological assets and agricultural products at the point of harvest	74	75	63	(1.3%)	19.0%
Gross Profit	4	14	13	(71.4%)	7.7%
General and administrative expenses	(8)	(5)	(6)	60.0%	(16.7%)
Selling expenses	(4)	(4)	(2)	-	-
Other operating results, net	-	(1)	-	-	-
Profit / (Loss) from operations	(8)	4	5	-	-
Segment Profit / (Loss)	(8)	4	5	-	-

Agro-industrial Activities

This segment consists in the slaughtering and processing of beef in meat packing plants.

Through our subsidiary Sociedad Anónima Carnes Pampeanas S.A. ("Carnes Pampeanas") we own a meat packing plant in Santa Rosa, Province of La Pampa, with capacity to slaughter and process approximately 9,600 cattle heads per month.

During the last years, the smaller supply of cattle has adversely affected the value chain by reducing cold-storage plant utilization. This has left several plants struggling to remain operational in view of the poor returns and shortage of raw materials. Our investment in Carnes Pampeanas has not escaped unscathed of this situation.

During fiscal year 2016, this segment recorded a net loss of Ps. 63.0 million compared to a net loss of Ps. 35.0 million in the previous fiscal year. Although the business was favored by the new government policies consisting in raising the exchange rate and lowering withholding taxes on beef exports, the positive impact of these measures was offset by a deterioration in the input/product ratios, explained by the fact that livestock prices and labor costs significantly outpaced the rise in beef prices for domestic consumption and in the international markets, as well as the prices of leather, this business' main by-product.

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Results

The following table shows this segment's results for fiscal year 2016, compared to the two preceding fiscal years:

In millions of Ps.	Fiscal Year 2016	Fiscal Year 2015	Fiscal Year 2014	YoY var 2016 vs. 2015	YoY var 2015 vs. 2014
Revenues	966	806	554	19.8%	45.4%
Costs	(925)	(739)	(480)	25.2%	54.0%
Gross profit	41	67	74	(38.8%)	(9.5%)
General and administrative expenses	(38)	(25)	(17)	52.0%	47.1%
Selling expenses	(67)	(77)	(55)	(13.0%)	40.0%
Other operating results, net	1	-	(1)	-	100.0%
(Loss)/Profit from operations	(63)	(35)	1	80.0%	3,600%
Segment (Loss)/Profit	(63)	(35)	1	80.0%	3,600%

Leases andAgricultural Services

We lease own farms to third parties for agriculture, cattle breeding and seed production, mainly in two types of farms. On the one hand, we lease our farms under irrigation in San Luis (Santa Bárbara and La Gramilla) to seed producers. These farms are ideal for obtaining steady production levels, given the quality of their soil and the weather conditions of the area, along with the even humidity provided by irrigation.

On the other hand, we lease farms recently put into production after agricultural development. In this way we manage to reduce our production risk, ensuring fixed rental income until the new farms reach stable productivity levels.

In addition, in this segment we include the irrigation service we provide to our own farms leased to third parties.

Results

The following table shows this segment's results for fiscal year 2016, compared to the two preceding fiscal years:

In millions of Ps.	Fiscal Year 2016	Fiscal Year 2015	Fiscal Year 2014	YoY var 2016 vs. 2015	YoY var 2015 vs. 2014
Revenues	78	61	29	27.9%	110.3%
Costs	(20)	(21)	(17)	4.8%	23.5%
Gross Profit	58	40	12	45.0%	233.4%
General and administrative expenses	(4)	(2)	(4)	100%	(100.0%)
Selling expenses	(1)	(1)	(1)	-	-
Other operating results, net	-	-	-	-	-
Profit from operations	53	37	7	43.2%	428.6%
Segment Profit	53	37	7	43.2%	428.6%

Other

This segment includes part of our business through Futuros y Opciones (FyO), as grain trading is reflected in the Grains segment.

Futuros y Opciones.Com S.A. (FyO)

Futuros y Opciones.com's main business is grain trading (grain brokerage, storage, futures and options, consulting and logistics services) and sale and distribution of own inputs and third-party products.

During this fiscal year FyO sold its website to Agrofy S.A., a company in which Cresud holds an equity interest.

As concerns the Grains business, revenues grew thanks to the increase in traded volumes as compared to the previous fiscal year, the effect of the devaluation and strong growth in trading revenues. The inputs business started to recover, and invoicing increased 6% as compared to the previous fiscal year.

During this fiscal year, financial income increased as compared to the previous year as a result of the investments made in mutual investment funds, LEBACS and government securities.

FyO continues to invest in systems for the inputs and grains businesses.

Concerning the goals for next year, the Grains business is expected to keep growing at the same pace as in the past years, aspiring to lead the grain trading business and to consolidate storage operations. As concerns inputs, FyO's goals include consolidating its suite of products, increasing sales and improving margins. Other objectives include becoming a leading company in the knowledge of the grains markets, offering all businesses and services related to grain trading, and being digital innovators.

Results

The following table shows this segment's results for fiscal year 2016, compared to the two preceding fiscal years:

In millions of Ps.	Fiscal Year 2016	Fiscal Year 2015	Fiscal Year 2014	YoY var 2016 vs. 2015	YoY var 2015 vs. 2014
Revenues	179	128	125	39.8%	2.4%
Costs	(140)	(105)	(101)	33.3%	3.9%
Initial recognition and changes in the fair value of biological assets and agricultural products at the point of harvest	-	-	-	-	-
Gross Profit	39	23	24	69.6%	(4.2%)
General and administrative expenses	(15)	(8)	(11)	87.5%	(27.3%)
Selling expenses	(23)	(13)	(11)	76.9%	18.2%
Other operating results, net	1	1	1	-	-
Profit from operations	2	3	3	33.3%	-
Share of Profit/(loss) of associates and joint ventures	(3)	-	-	-	-
Segment Profit	(1)	3	3	-	-

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

2 Includes the acquisition of investment properties, the acquisition of property, plant and equipment and suppliers advances for acquisition of property, plant and equipment for Ps. 2,040 million according to the Statement of cash flows, and non-cash transactions for Ps. 418 million as described in Note 20 - Cash flow information, of the Consolidated Financial Statements as of June 30, 2016.

3 Includes the acquisition of investment properties, the acquisition of property, plant and equipment and suppliers advances for acquisition of property, plant and equipment for Ps. 486 million according to the Statement of cash flows, and non-cash transactions for Ps. 2 million as described in Note 21 - Cash flow information, of the Consolidated Financial Statements as of June 30, 2015.

4 Includes the acquisition of investment properties, the acquisition of property, plant and equipment and suppliers advances for acquisition of property, plant and equipment for Ps. 435 million according to the Statement of cash flows, non-cash transactions for Ps. 1 million as described in Note 21 - Cash flow information of the Consolidated Financial Statements as of June 30, 2014.

Farmland Portfolio

As of June 30, 2016, we owned, together with our subsidiaries, 27 farms, with a total surface area of 622,217 hectares.

The following table sets forth our farm portfolio as of June 30, 2016:

Use of Farmlands Owned and under Concession as of June 30, 2016

	Locality	Province	Date of Acquisition	Surface Area (has)	Main Business	Cattle (has)	Sheep (has)	Dairy (has)	Agriculture (has)	Cattle (head)
El Recreo	Recreo	Catamarca	May 95	12,395	Natural woodlands					
Los Pozos	JV González	Salta	May ’95	239,639	Cattle/ Agriculture/ Natural woodlands	44,010			13,938	44,914
San Nicolás (1)	Rosario	Santa Fe	May ‘97	1,431	Agriculture				1,409	
Las Playas (1)	Idiazabal	Córdoba	May ‘97	1,534	Agriculture/ Dairy				1,534	
La Gramilla/ Santa Bárbara	Merlo	San Luis	Nov ‘97	7,072	Agriculture Under irrigation				4,294	
La Suiza	Villa Angela	Chaco	Jun ‘98	36,380	Agriculture/ Cattle	26,700			3,414	15,300
La Esmeralda	Ceres	Santa Fe	Jun ‘98	9,370	Agriculture/ Cattle				7,885	
El Tigre	Trenel	La Pampa	Apr ‘03	8,360	Agriculture/ Dairy			2,231	5,239	5,047
El Invierno(4)	Rancul	La Pampa	Jun ‘05	1,946	Agriculture				1,839	
San Pedro	Concepción de Uruguay	Entre Rios	Sep ‘05	6,022	Agriculture				4,083	
8 De Julio/ Estancia Carmen	Puerto Deseado	Santa Cruz	May ‘07/ Sep ‘08	100,911	Sheep		85,000			
Cactus Argentina	Villa Mercedes	San Luis	Dec ‘97	171	Natural woodlands	171				
Las Vertientes	Las Vertientes	Cordoba	-	4	Silo					
La Esperanza(4)	Rancul	La Pampa	Mar ‘08	980	Agriculture				402	
Las Londras	Santa Cruz	Bolivia	Nov ‘08	4,566	Agriculture				3,736	
San Rafael	Santa Cruz	Bolivia	Nov ‘08	2,969	Agriculture				2,269	
La Primavera	Santa Cruz	Bolivia	Jun ‘11	2,340	Agriculture				636	
Cuatro Vientos	Santa Cruz	Bolivia	Jun ‘11	2,658	Agriculture				1,844	
Jeroviá/Marangatú/Udra (2)	Mariscal Estigarribia	Paraguay	Feb ‘09	58,754	Agriculture/ Natural woodlands	1,126			5,870	
Finca Mendoza	Lujan de Cuyo	Mendoza	Mar ‘11	389	Natural woodlands					
	Finca Lavalle	Mendoza	Nov’03	9						

Establecimiento Mendoza					Natural woodlands					
Jatoba	Jaborandi/BA	Brazil	Oct '06	31,606	Agriculture				12,510	
Alto Taquari	Alto Taquari/MT	Brazil	Aug '07	5,395	Agriculture				3,190	
Araucaria	Mineiros/GO	Brazil	Mar '07	8,124	Agriculture				4,020	
Chaparral	Correntina/BA	Brazil	Nov '07	37,182	Agriculture				14,398	
Nova Buruti	Januária/MG	Brazil	Dec '07	24,211	Forestry					
Preferencia	Barreiras/BA	Brazil	Sep '08	17,799	Cattle				6,566	
Subtotal Own Farms				622,217		72,007	85,000	2,231	99,076	65,261
Agropecuaria Anta SA(3)	Las Lajitas	Salta		132,000		820			23,547	2,460
Subtotal Farms under Concession				132,000		820			23,547	2,460
Total				754,217		72,827	85,000	2,231	122,623	67,721

(1) Hectares in proportion to our 35.72% interest in Agro-Uranga S.A.

(2)
Hectares in proportion to our 50.0% interest in CRESCA through Brasilagro.

(3) Hectares in concession. They include 2,000 hectares operated by third parties.

(4) On July 2016, we sold these farmlands.

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Additional information about our Farmlands

Argentina

El Recreo

"El Recreo" farm, located 970 kilometers northwest of Buenos Aires, in the Province of Catamarca, was acquired in May 1995. It has semi-arid climate and annual rainfall not in excess of 400 mm. This farm is maintained as a productive reserve.

Los Pozos

The "Los Pozos" farm, located 1,600 kilometers northwest of Buenos Aires, in the Province of Salta, was acquired in May 1995. This property is located in a semi-arid area with average annual rainfall of 500 mm. The area is naturally suited to cattle raising and forestry activities (poles and fence posts), and it has agricultural potential for summer crops such as sorghum and corn, among others. For the fiscal year ended June 30, 2016, we used 13,938 hectares in agricultural production. As of June 30, 2016, there were 41,914 heads of cattle in this farm.

San Nicolás

"San Nicolás" is a 4,005 hectares farm owned by Agro-Uranga S.A., and is located in the Province of Santa Fe, approximately 45 kilometers from the Port of Rosario. As of June 30, 2016, 5,918 hectares were planted for agricultural production, including double crops. The farm has two plants of silos with a storage capacity of 14,950 tons.

Las Playas

The "Las Playas" farm has a surface area of 4,294 hectares and is owned by Agro-Uranga S.A. It is located in the Province of Córdoba, and it is used for agricultural purposes. As of June 30, 2016, the farm had a sown surface area, including double crops, of 7,079 hectares for grain production.

La Gramilla and Santa Bárbara

These farms have a surface area of 7,072 hectares in Valle de Conlara, in the Province of San Luis. Unlike other areas in the Province of San Luis, this valley has a high quality underground aquifer which makes these farms well suited for agricultural production after investments were made in the development of lands, wells and irrigation equipment. In the course of the 2015/2016 farm season, a total of 4,294 hectares were sown, 513 hectares of which were sown under contractual arrangements with seed producers. We leased, in turn, 1,259 hectares to third parties. The remaining hectares are kept as land reserves.

La Suiza

The "La Suiza" farm has a surface area of 36,380 hectares and is located in Villa Ángela in the Province of Chaco. It is used for raising cattle. As of June 30, 2016, "La Suiza" had a stock of approximately 15,300 heads of cattle. During the 2015/16 season, we used 3,414 hectares for agricultural production and 200 hectares for timber production.

La Esmeralda

The "La Esmeralda" farm has a surface area of 9,370 hectares and is located in Ceres in the Province of Santa Fe. This farm was acquired in June 1998. During the 2015/16 farm season, we used 7,885 hectares for production of corn, soybean, wheat, sunflower and sorghum.

El Tigre

The "El Tigre" farm was acquired on April 30, 2003 and has a surface area of 8,360 hectares. This farm has a high-tech dairy facility where we develop our milk production business in compliance with the highest quality standards. It is located in Trenel in the Province of La Pampa. As of June 30, 2016, 5,239 hectares were assigned to crop production, including double crops, and 2,231 hectares were assigned to milk production. This farm produced 16.2 million liters of milk in the fiscal year ended June 30, 2016, with an average of 1,838 cows being milked and an average daily production of 24.16 liters per cow.

El Invierno

The "El Invierno" farm was acquired on June 24, 2005 and has a surface area of 1,946 hectares. It is located in Rancul in the Province of La Pampa, 621 kilometers to the west of Buenos Aires. During the fiscal year ended June 30, 2016, we used the land exclusively for crop production and planted 1,839 hectares. On July 5, 2016, we sold the farmlands "El Invierno" and "La Esperanza". The total amount of the transaction was fixed at US$ 6.0 million (equivalent to Ps. 90.1 million). This transaction included 2,615 hectares of land suitable for agricultural production.

San Pedro

The "San Pedro" farm was purchased on September 1, 2005. It has a surface area of 6,022 hectares and is located in Concepción del Uruguay, Province of Entre Ríos, which is 305 kilometers north of Buenos Aires. In the course of the 2015/2016 farm season, 4,083 hectares were used for agricultural production, including double crops.

8 de Julio and Estancia Carmen

The "8 de Julio" farm was acquired on May 15, 2007 and has a surface area of 90,000 hectares. It is located in the department of Deseado in the Province of Santa Cruz. Due to its large surface area, this farm offers excellent potential for sheep production. In addition, we believe the land has potential for future tourism and recreational activities, as the southeast border of the farm stretches over 20 kilometers of coast. "Estancia Carmen" was acquired on September 5, 2008 and has a surface area of 10,911 hectares. It is located in the Province of Santa Cruz, next to our "8 de Julio" farm.

Cactus

The feedlot has a surface area of 171 hectares. It is located in Villa Mercedes, Province of San Luis. Given its degree of urban development and closeness to the city, we decided to discontinue fattening activities in this facility.

Las Vertientes

The "Las Vertientes" storage facility has a surface area of 4 hectares and 10,000 tons capacity, and is located in Las Vertientes, Río Cuarto, in the Province of Córdoba.

La Esperanza

In 2008 we acquired "La Esperanza" farm located in the Province of La Pampa with a surface area of 980 hectares. The transaction was agreed for a price of US$ 1.3 million that has been paid in full. During the year ended June 30, 2015, we used this farm solely for crop production. On July 5, 2016, we sold the farmlands "El Invierno" and "La Esperanza". The total amount of the transaction was fixed at US$ 6.0 million (equivalent to Ps. 90.1 million). This transaction included 2,615 hectares of land suitable for agricultural production.

Finca Mendoza

On March 2, 2011, the Company purchased, jointly with Zander Express S.A., a rural property composed of thirteen plots of land located in the District of Perdriel, Luján de Cuyo Department, in the Province of Mendoza. As a result of this acquisition, CRESUD has become owner of a 40% undivided estate in all and each of the properties, while Zander Express S.A. holds the remaining 60%. The total agreed price for this transaction was US$ 4.0 million; therefore, the amount of US$ 1.6 million was payable by CRESUD.

Bolivia

Las Londras

On January 22, 2009, the bill of purchase for "Las Londras" farm was cast into public deed; it has a surface area of 4,566 hectares, and is located in the Province of Guarayos, Republic of Bolivia. During the 2015/2016 farm season it was used for crop production.

San Rafael

On November 19, 2008, the bill of purchase for "San Rafael" farm was cast into public deed. This farm is located in the Province of Guarayos, Republic of Bolivia, and has a surface area of 2,969 hectares, which were used for crop production during the 2015/2016 farm season.

Cuatro Vientos

On June 3, 2011, we executed the purchase agreement for the "Cuatro Vientos" farm, with a surface area of approximately 2,658 hectares, allocated to sugarcane production. Its purchase price was US$ 8.4 million.

La Primavera

On June 7, 2011 we acquired “La Primavera” farm, with a surface area of approximately 2,340 hectares. During the 2015/2016 season, this farm was used for crop production.

Brazil (through our subsidiary Brasilagro)

Jatobá

Jatobá is a farm in the northeastern region of Brazil, with a total surface area of 31,606 hectares, 12,510 of which are intended for agriculture. Jatobá was acquired in March 2007 for BRL 33 million. We consider that this farm is in a very advantageous location for the movement of crops, as it is close to the Candeias Port, in the State of Bahia.

Araucária

Araucária is a farm located in the municipal district of Mineiros, in the State of Goiás, and it has a total surface area of 8,124 hectares, 4,020 of which are used for agriculture. Araucaria was acquired in 2007 for BRL 70.4 million. Before we purchased it, Araucária had been used for grain planting. The farm was transformed, and at present it is planted with sugarcane.

Alto Taquarí

Alto Taquarí is located in the municipal district of Alto Taquarí, State of Mato Grosso, and it has a total surface area of 5,395 hectares, 3,190 of which are used for agriculture. The farm was acquired in August 2007 for BRL 33.2 million. Before we purchased it, the farm had been used for agriculture and Cattle raising. Following its transformation, it is being used for sugarcane production.

Chaparral

Chaparral is a 37,182hectare farm, with 14,398 hectares used for agriculture. It is located in the municipal district of Correntina, State of Bahia. The farm was acquired in November 2007 for BRL 47.9 million.

Nova Buriti

Located in the municipal district of Januária, State of Minas Gerais, Nova Buriti has a surface area of 24,211 hectares. Nova Buriti was acquired in December 2007 for BRL 21.6 million. It is located in the southeastern region of Brazil and it is close to the large iron industries. At present, it is undergoing proceedings for obtaining the environmental licenses required for starting operations.

Preferencia

Preferencia is located in the municipal district of Barreiras, in the State of Bahia. It has a total surface area of 17,799 hectares, 6,566 of which are used for cattle activities. It was acquired for R$ 9.6 million in September 2008. The farm is being transformed into a pasturing area and will be later developed for agricultural purposes.

Paraguay (through our subsidiary Brasilagro)

Jeroviá / Marangatú /Udra

Cresud, through Brasilagro, who is in turn shareholder of CRESCA, holds a 50% undivided interest in the “Jeroviá”, “Marangatú” and “UDRA” farms and related undeveloped plots of land, all of them located in Mariscal José Félix Estigarribia, Department of Boquerón, Paraguayan Chaco, Republic of Paraguay, totaling 117,508 hectares.

Silos

As of June 30, 2016, we had a storage capacity of approximately 25,620 tons (including 35.723% of the storage capacity of over 14,950 tons available at Agro-Uranga S.A.).

The following table shows, for the fiscal years presented, our storage facilities:

	As of year ended June 30,				
	2016(2)	2015(2)	2014(2)	2013(2)	2012(2)
Las Vertientes (1)	10,000	10,000	10,000	10,000	10,000
San Nicolás (1)	5,341	5,341	5,341	5,341	5,341
Brasilagro	10,279	10,279	90,200	90,200	90,200
Total	25,620	25,620	105,541	105,541	105,541

(1) Owned by us through Agro-Uranga (which represents 35.723% of the total capacity).
(2) Includes Brasilagro.

Land Management

In contrast to traditional Argentine farms, run by families, we centralize policy making in an Executive Committee that meets on a weekly basis in Buenos Aires. Individual farm management is delegated to farm managers who are responsible for farm operations. The Executive Committee lays down commercial and production rules based on sales, market expectations and risk allocation.

We rotate the use of our pasture lands between agricultural production and cattle feeding and the frequency depends on the location and characteristics of the farmland. The use of preservation techniques (including exploitation by no till sowing) frequently allows us to improve farm performance.

Subsequent to the acquisition of the properties, we make investments in technology in order to improve productivity and increase the value of the property. It may be the case that upon acquisition, a given extension of the property is under-utilized or the infrastructure may be in need of improvement. We have invested in traditional fencing and in electrical fencing, watering troughs for cattle herds, irrigation equipment and machinery, among other things.

Principal Markets

Crops

Our crop production is mostly sold in the domestic market. The prices of our grains are based on the market prices quoted in Argentine grains exchanges such as the Buenos Aires Grains Exchange (Bolsa de Cereales de Buenos Aires) and the cereal exchanges in each country, that take as reference the prices in international grains markets. The largest part of this production is sold to exporters who offer and ship this production to the international market. Prices are quoted in relation to the month of delivery and the port in which the product is to be delivered. Different conditions in price, such as terms of storage and shipment, are negotiated between the end buyer and ourselves.

Cattle

Our beef cattle production is sold in the local market. The main buyers are slaughterhouses and supermarkets.

Prices in the beef cattle market in Argentina are basically fixed by local supply and demand. The Liniers Market (on the outskirts of the City of Buenos Aires) provides a standard in price formation for the rest of the domestic market. In this market live animals are sold by auction on a daily basis. At Liniers Market, prices are negotiated by kilogram of live weight and are mainly determined by local supply and demand. Prices tend to be lower than in industrialized countries. Some supermarkets and meat packers establish their prices by kilogram of processed meat; in these cases, the final price is influenced by processing yields.

Dairy

During fiscal year 2016 we sold our entire milk production to the largest Argentine dairy company, Mastellone S.A., which in turn manufactures a range of mass consumption dairy products sold in Argentina and abroad. The price of the milk we sell is mainly based on the percentage of fat and protein that it contains and the temperature at which it is cooled. The price we obtain from our milk also rises or drops based on the content of bacteria and somatic cells.

Customers

For the fiscal year 2016 our sales from the agribusiness segment (excluding sales of farms) were made to approximately 850 customers. Sales to our ten largest customers represented approximately 70% to 75% of our net sales. Of these customers, our biggest three customers were Bunge Argentina S. A., Cargill S.A.C.I. and Vicentin S.A.I.C. We have signed non-binding letters of intent with some of our largest customers that allow us to estimate the volume of the demand for certain products and to plan production accordingly. We generally enter into short-term agreements with a term of less than a year.

Marketing Channels and Sales Methods

Crops

We normally work with grains brokers and other intermediaries to trade in the exchanges. We sell part of our production in advance through futures contracts and buy and sell options to hedge against a drop in prices. Approximately 87% of the futures and options contracts are closed through the Buenos Aires Grains Exchange and 13% in the Chicago Board of Trade for hedging purposes.

Our storage capabilities allow us to condition and store grains with no third-party involvement and thus to capitalize the fluctuations in the price of commodities. Our largest storage facilities in Argentina, with capacity for 10,000 tons, are located in “Las Vertientes”, close to Río Cuarto, Province of Córdoba. In addition, we store grains in silo bags.

Cattle

We have several marketing channels. We sell directly to local meat processors and supermarkets, as well as in markets and auctions. Our customers include Arre Beef S.A., Frigorífico Bermejo, Quickfood S.A., Frigorífico Forres Beltrán S.A., Madelán S.A., Colombo y Colombo S.A., Iván O’Farrell S.R.L. and Colombo y Magliano S.A., for prices based on the price at Liniers Market.

We usually are responsible for the costs of the freight to the market and, in general, we pay commissions on our transactions.

Inputs

The current direct cost of our production of grains varies in relation to each crop and normally includes the following costs: tillage, seeds, agrochemicals and fertilizers. We buy in bulk and store seeds, agrochemicals and fertilizers to benefit from discounts offered during off-season sales.

Competition

The agricultural and livestock sector is highly competitive, with a huge number of producers. We are one of the leading producers in Argentina and the region. However, if we compare the percentage of our production to the country’s total figures, our production would appear as extremely low, since the agricultural market is highly atomized. Our leading position improves our bargaining power with suppliers and customers. In general, we obtain discounts in the region in the acquisition of raw materials and an excess price in our sales.

Historically, there have been few companies competing for the acquisition and leases of farmlands for the purpose of benefiting from land appreciation and optimization of yields in the different commercial activities. However, we anticipate the possibility that new companies, some of them international, may become active players in the acquisition of farmlands and the leases of sown land, which would add players to the market in coming years.

Seasonality

As is the case with any company in the agro-industrial sector, our business activities are inherently seasonal. Harvest and sales of corn and soybean in general take place from March to September. Sunflower is harvested from December to May. Wheat is harvested from October to January. Peanut is harvested from April to July. With respect to our international market, in Bolivia climate conditions allow a double season of soybean, corn and sorghum production and, accordingly, these crops are harvested in March and October, while wheat and sunflower are harvested between August and September. In Brasil, our crops are harvested from March to May and our sugarcane is harvested from April to November. Other segments of our activities, such as our sales of cattle and milk and our forestry activities tend to be more of a successive character than of a seasonal character. However, the production of beef and milk is generally higher during the second quarter, when pasture conditions are more favorable. In consequence, there may be significant variations in results from one quarter to the other.

Regulation and Governmental Supervision of our Agricultural Business

Farming and Animal Husbandry Agreements

Agreements relating to farming and animal husbandry activities are regulated by Argentine law, the Argentine Civil and Commercial Code and local customs.

According to Law No. 13,246, as amended by Law No. 22,298, all lease agreements related to rural properties and land are required to have a minimum duration of 3 years. Upon death of the tenant farmer, the agreement may continue with his successors. Upon misuse of the land by the tenant farmer or default on payment of the rent, the land owner may initiate an eviction proceeding.

Law No. 13,246, amended by Law No. 22,298, also regulates agreements for crop sharing pursuant to which one of the parties furnishes the other with farmland animals or land with the purpose to share benefits between tenant farmer and land owner. These agreements are required to have a minimum term of duration of 3 years. The tenant farmer must perform the obligations under the agreement himself and may not, assign it under any circumstances. Upon death, incapacity of the tenant farmer or other impossibility, the agreement may be terminated.

Quality control of Crops and Cattle

The quality of the crops and the health measures applied on the cattle are regulated and controlled by the Servicio Nacional de Sanidad y Calidad Agroalimentaria (“SENASA”), which is an entity within the Ministry of Economy and Public Finance that over sees the farming and animal sanitary activities.

Argentine law establishes that the brands should be registered with each provincial registry and that there cannot be brands alike within the same province.

Sale and Transportation of Cattle

Even though the sale of cattle is not specifically regulated, general contract provisions are applicable. Further, every province has its own rural code regulating the sale of cattle.

Argentine law establishes that the transportation of cattle is lawful only when it is done with the respective certificate that specifies the relevant information about the cattle. The required information for the certificate is established by the different provincial regulations, the inter-provinces treaties and the regulations issued by the SENASA.

Export Restriction of Beef

In addition, the Secretary of Agriculture, Livestock, Fishing and Food Products, within the orbit of the Ministry of Economy and Public Finance, oversees the farming and animal sanitary activities.

The Secretary of Agriculture, Livestock, Fishing and Food Products is in charge of distributing the annual regular quota of top quality chilled beef without bones, the “Cuota Hilton.” The destination of the Cuota Hilton is the European Union.

The Secretary of Agriculture, Livestock, Fishing and Food Products granted to our subsidiary Sociedad Anónima Carnes Pampeanas up to 1,400 tons to export beef under the Cuota Hilton for the July 2015-June 2016 period.

Environment

The development of our agribusiness activities depends on a number of federal, provincial and municipal laws and regulations related to environmental protection.

We may be subject to criminal and administrative penalties, including taking action to reverse the adverse impact of our activities on the environment and to reimburse third parties for damages resulting from contraventions of environmental laws and regulations. Under the Argentine Criminal Code, persons (including directors, officers and managers of corporations) who commit crimes against public health, such as poisoning or dangerously altering water, food or medicine used for public consumption and selling products that are dangerous to health, without the necessary warnings, may be subject to fines, imprisonment or both. Some courts have enforced these provisions in the Argentine Criminal Code to sanction the discharge of substances which are hazardous to human health. At the administrative level, the penalties vary from warnings and fines to the full or partial suspension of the activities, which may include the revocation or annulment of tax benefits, cancellation or interruption of credit lines granted by state banks and a prohibition against entering into contracts with public entities.

The Forestry Legislation of Argentina prohibits the devastation of forests and forested lands, as well as the irrational use of forest products. Landowners, tenants and holders of natural forests require an authorization from the Forestry Competent Authority for the cultivation of forest land. The legislation also promotes the formation and conservation of natural forests in properties used for agriculture and farming purposes.

As of June 30, 2016, we owned land reserves extending over 365.306 hectares, which are located in under-utilized areas where agricultural production is not yet fully developed. We also have 107,984 hectares under concession as reserves for future developments. We believe that technological tools are available to improve the productivity of such land and enhance its long-term value. However, existing or future environmental regulations may prevent us from developing our land reserves, requiring us to maintain a portion of such land as unproductive land reserves.

In accordance with legislative requirements, we have applied for approval to develop certain parts of our land reserves and were authorized to develop them partially and to maintain other areas as land reserves. We cannot assure you that current or future development applications will be approved, and if so, to what extent we will be allowed to develop our land reserves. We intend to use genetically modified organisms in our agricultural activities. In Argentina, the development of genetically modified organisms is subject to special laws and regulations and special permits.

On November 28, 2007, Argentine Congress passed a law known as the Forest Law which sets minimum standards for the conservation of native forests and incorporates minimum provincial expenditures to promote the protection, restoration, conservation and sustainable use of native forests. The Forest Law prevents landowners, including owners of native forests, from deforesting or converting forested areas into non-forested land for other commercial uses without prior permission from each local government that gives the permit and requires the preparation, assessment and approval of an environmental impact report. The Forest Law also provides that each province should adopt its own legislation and regional regulation map within a term of one year. Until such provincial implementation is carried into effect, no new areas may be deforested. In addition, the Forest Law also establishes a national policy for sustainable use of native forests and includes the recognition of native communities and aims to provide preferential use rights to indigenous communities living and farming near the forest. In case a project affects such communities, the relevant provincial authority may not issue permits without formal public hearings and written consent of the communities.

In addition, the Rules issued by the CNV provide that publicly traded companies whose corporate purpose includes environmentally hazardous activities should report to their shareholders, investors and the general public their compliance with the applicable environmental laws and risks inherent to such activities, so as to be able to reasonably assess such hazards.

Our activities are subject to a number of national, provincial and municipal environmental regulations. Section 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 redress it as provided by applicable law. The authorities shall protect 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 and Provincial and Municipal Governments shall determine specific standards and issue the applicable regulations.

On November 6, 2009, the Argentine Congress passed Law No. 25,675. This law regulates the minimum standards for the achievement of a sustainable environment and the preservation and protection of biodiversity and sets environmental policy goals. Moreover, Law No. 25,675 establishes the activities that will be subject to an environmental impact assessment procedure and certain requirements applicable thereto. In addition, the Law sets forth the duties and obligations that will be triggered by any damage to the environment and imposes the obligation to restore it to its former condition or, if that is not technically feasible, to pay a compensation in lieu thereof. The Law also fosters environmental education and provides for certain minimum obligations to be fulfilled by natural and artificial persons.

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 Argentine Civil and Commercial 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.

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:

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deprive obligations of their nature or limit liability for damages;

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imply a waiver or restriction of consumer rights and an extension of seller rights; and

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impose the shifting of the burden of proof against consumers.

In addition, the Consumer Protection Law imposes penalties ranging from warnings to the forfeiture of concession rights, privileges, tax regimes or special credits to which the sanctioned party was entitled, including closing down of establishments for a term of up to 30 days.

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

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

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

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 Mercorsur's Common Market Group which requires that those who engage in commerce over the Internet (E-Business) shall disclose in a precise and clear manner the characteristics of the products and/or services offered and the sale terms. Failure to comply with the terms of the offer is deemed an unjustified denial to sell and gives rise to sanctions.

On September 17, 2014, the Consumer Protection Law was modified by the enactment of Law Nº 26,993, which is called "System for Conflict Resolution in Consumer Relationships" as it provides for the creation of new administrative and judicial procedures for this field of Law. It has 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 trust practices and requires administrative authorization for transactions that according to the Antitrust Law constitute an economic concentration. According to this law, mergers, transfers of goodwill, acquisitions of property or rights over shares, capital or other convertible securities, or similar operations by which the acquirer controls or substantially influences a company, are considered as an economic concentration. Whenever an economic concentration involves a company or companies and the aggregate volume of business of the companies concerned exceeds in Argentina the amount of Ps. 200.0 million, in such case the respective concentration should be submitted for approval to the CNDC. The request for approval may be filed, either prior to the transaction or within a week after its completion.

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

The Antitrust Law provides that economic concentrations in which the transaction amount and the value of the assets absorbed, acquired, transferred or controlled in Argentina, do not exceed Ps. 20.0 million each are exempted from the administrative authorization. Notwithstanding the foregoing, when the transactions effected by the companies concerned during the prior 12-month period exceed in the aggregate Ps. 20.0 million or Ps. 60.0 million in the last 36 months, these transactions must be notified to the CNDC.

As our consolidated annual sales volume and our parent's consolidated annual sales volume exceed Ps. 200.0 million, we should give notice to the CNDC of any concentration provided for by the Antitrust Law.

Taxes on the Transfer of Property and Sale of Meat and Grains

Value Added Tax. This tax is applicable to the sale of personal property, the hiring of works, the rendering of services and the import of goods and services operated in Argentina. The general tax rate is 21%.

The value added tax law imposes a reduced rate, equal to 10.5% on the sale price of live animals (including cattle, sheep, camels and goats) as well as their meat and edible remains, fruits and vegetables, all of which whether fresh, chilled, or frozen, which have not undergone any cooking or manufacturing process turning them into a manufactured product. This 10.5% reduced rate is also applicable to the sale of grains (cereals and oilseeds, excluding rice), and dry pulses (beans, peas, and lentils). In the case of milk, the sale is subject to a 21% rate (except for sales to final consumers, the federal government, the provinces, municipalities or the City of Buenos Aires or any subordinate agencies, school or university kitchens, health funds or entities under the scope of paragraphs e), f), g) and m) of Section 20 of the Income Tax Law, which are exempt).

The sale of land and immovable property is not subject to this tax.

Gross Sales Tax. This is a local tax (collected by the provinces and the City of Buenos Aires) that levies gross revenues derived from the ordinary development of a given business for profit. When the same business is developed in more than one jurisdiction, the tax is applicable pursuant to the regulations set forth in the Multilateral Agreement, which establishes the proportions allocable to each of the jurisdictions involved, so as to prevent double or multiple taxation. In the City of Buenos Aires, gross revenues derived from livestock raising and milk production are subject to this tax at a general rate of 1%. In certain provinces, the sale or primary goods is not taxable.

Stamp Tax. This is a local tax that 23 provinces and the City of Buenos Aires collect based on similar rules regarding subject matter, tax base and rates. In general, this tax is levied on instrumented acts, i.e. executed and delivered by means of documents (e.g. acts related to the constitution, transmission, or expiration of rights, contracts, contracts for sales of stock and company shares, public deeds relating to real property, etc.).

Both in the Province and the City of Buenos Aires (federal district) the stamp tax rate applicable to the transfer by public deed of real property is 3.6%. The purchase and sale of real estate through public deed, however, is not taxable –up to a certain value of the property- if the real estate is used for permanent dwelling purposes, and provided that it is the only property owned by the purchaser.

Urban Properties and Investments Business (through our subsidiary IRSA)

We decided to break down the operations of our subsidiary IRSA Inversiones y Representaciones S.A. into an Operation Center in Argentina and an Operation Center in Israel. From the Operation Center in Argentina, we, through IRSA and its subsidiaries, manage the businesses in Argentina and the international investments in the Lipstick Building in New York and the Condor Hospitality Trust hotel REIT. From the Operation Center in Israel, we manage IDBD.

As of June 30, 2016, our investment in IRSA's common shares amounts to 63.38%.

The following information corresponds to data of the segments extracted from our subsidiary IRSA Inversiones y Representaciones S.A.'s Annual Report and Financial Statements as of June 30, 2016.

The revenue figures for fiscal year 2016 described in the different tables correspond to the twelve-month period reported in IRSA's Financial Statements.

Description of main operations

Operation Center in Argentina.

Shopping Centers

We are engaged in purchasing, developing and managing shopping centers through our subsidiary, IRSA Commercial Properties. As of June 30, 2016, IRSA Commercial Properties operated and owned a majority interest in sixteen shopping centers in Argentina, seven of which are located in the City of Buenos Aires (Abasto, Alcorta Shopping, Alto Palermo, Patio Bullrich, Buenos Aires Design, Dot Baires Shopping and Distrito Arcos), two of which are located in the greater Buenos Aires metropolitan area (Alto Avellaneda and Soleil Premium Outlet) and the other ones located in different Argentine provinces: Alto NOA in the City of Salta, Alto Rosario in the City of Rosario, Mendoza Plaza in the City of Mendoza, Córdoba Shopping Villa Cabrera and Patio Olmos in the City of Córdoba, La Ribera Shopping in the City of Santa Fe, and Alto Comahue in the City of Neuquén.

As of June 30, 2016, we owned, through IRSA, 94.61% of IRSA Commercial Properties. The remaining shares are held by the public investor and traded on the Bolsa de Comercio de Buenos Aires and the related ADRs are listed and traded on the NASDAQ (USA) under the ticker "IRCP."

As of June 30, 2016, IRSA Commercial Properties's shopping centers comprised a total of 333,155 square meters of gross leasable area ("GLA") (excluding certain space occupied by hypermarkets which are not our tenants). For fiscal year 2016, the occupancy rate of IRSA Commercial Properties's shopping center portfolio was approximately 98.4%.

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

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

Shopping Centers	Date of Acquisition	Location	Gross Leasable Area sqm (1)	Stores	Occupancy Rate (2)	IRSA Commercial Properties' Interest (3)	Book Value (in millions of Ps.) (4)
Abasto (5)	Jul-94	City of Buenos Aires, Argentina	36,738	170	99.8%	100.0%	259
Alto Palermo	Nov-97	City of Buenos Aires, Argentina	18,966	142	99.6%	100.0%	209
Alto Avellaneda	Dec-97	Province of Buenos Aires, Argentina	35,887	134	100.0%	100.0%	128
Alcorta Shopping	Jun-97	City of Buenos Aires, Argentina	15,877	112	89.1%	100.0%	123

Patio Bullrich	Oct-98	City of Buenos Aires, Argentina	11,783	88	99.1%	100.0%	103
Alto Noa	Mar-95	Salta, Argentina	19,040	89	100.0%	100.0%	33
Buenos Aires Design	Nov-97	City of Buenos Aires, Argentina	13,903	62	95.7%	53.7%	6
Mendoza Plaza	Dec-94	Mendoza, Argentina	42,043	139	95.2%	100.0%	93
Alto Rosario (5)	Nov-04	Santa Fe, Argentina	28,796	143	100.0%	100.0%	129
Córdoba Shopping	Dec-06	Córdoba, Argentina	15,582	110	99.2%	100.0%	49
Dot Baires Shopping	May-09	City of Buenos Aires, Argentina	49,641	150	100.0%	80.0%	374
Soleil Premium Outlet	Jul-10	Province of Buenos Aires, Argentina	13,991	78	100.0%	100.0%	80
La Ribera Shopping	Aug-11	Santa Fe, Argentina	9,851	63	99.3%	50.0%	24
Distrito Arcos (6)	Dec-14	City of Buenos Aires, Argentina	11,170	60	97.0%	90.0%	279
Alto Comahue (7)	Mar-15	Neuquén, Argentina	9,890	102	96.6%	99.1%	319
Patio Olmos (8)	Sep-07	Córdoba, Argentina	-	-	-	100%	26
TOTAL GENERAL			333,158	1,642	98.4%		2,210

(1) Corresponds to the total leaseable surface area of each property. Excludes common areas and parking spaces.
(2) Calculated by dividing square meters leased under leases in effect by gross leaseable area as of fiscal year end.
(3) Our effective interest in each of its business units.
(4) Cost of acquisition, plus improvements, less accumulated depreciation. Values expressed in million of pesos (Ps.).
(5) Excludes Museo de los Niños (3,732 sqm in Abasto and 1,261 sqm in Alto Rosario).
(6) Opening December 18, 2014.
(7) Opening March 17, 2015.
(8) IRSA CP owns the historic building of the Patio Olmos shopping center in the province of Cordoba, operated by a third party.

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

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

As of June 30,

	2016	2015	2014
	(In million of Ps.)		
Abasto	384	302	238
Alto Palermo	392	295	244
Alto Avellaneda	265	200	161
Alcorta Shopping	187	141	106
Patio Bullrich	118	98	79
Alto Noa	73	51	39
Buenos Aires Design	45	35	27
Mendoza Plaza	119	92	74
Alto Rosario	182	138	100
Córdoba Shopping- Villa Cabrera	68	54	40
Dot Baires Shopping	261	199	158
Soleil Premium Outlet	80	59	44
La Ribera Shopping	21	13	9
Distrito Arcos (1)	78	23	-
Alto Comahue (2)	48	12	-
Total income(3)	2,321	1,712	1,319

(1) Opening was on December 18, 2014.
(2) Opening was on March 17, 2015.
(3) Does not include income neither from Fibesa or from Patio Olmos.

Tenant Retail Sales(1)(2)

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

As of June 30,

	2016	2015	2014
	(In million of Ps.)		
Abasto	4,043	3,150	2,447
Alto Palermo	3,499	2,662	2,111
Alto Avellaneda	3,781	2,913	2,334
Alcorta Shopping	1,900	1,475	1,120
Patio Bullrich	1,061	889	689
Alto Noa	1,369	1,069	766
Buenos Aires Design	414	326	272

Mendoza Plaza	2,369	1,907	1,515
Alto Rosario	2,628	1,952	1,378
Córdoba Shopping- Villa Cabrera	991	756	547
Dot Baires Shopping	3,254	2,571	2,008
Soleil Premium Outlet	1,282	938	664
La Ribera Shopping	634	398	281
Distrito Arcos (2)	962	340	-
Alto Comahue (3)	717	182	-
Total sales	28,904	21,527	16,132

(1)
Retail sales based upon information provided to us by retailers and prior owners. The amounts shown reflect 100% of the retail sales of each shopping center, although in certain cases we own less than 100% of such Shopping Center. Excludes sales from stands and spaces used for special exhibitions.
(2)
Opening was on December 18, 2014.
(3)
Opening was on March 17, 2015.

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Accumulated Sales per type of Business

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

Occupancy Rate

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

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

Rental Price

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

	As of June 30,		
	2016	2015	2014
	(in Ps.)		
Abasto	10,456.4	8,227.2	6,254.6
Alto Palermo	20,663.9	15,107.9	12,618.5
Alto Avellaneda	7,389.7	5,443.2	4,400.3
Alcorta Shopping	11,759.4	9,106.1	7,000.2
Patio Bullrich	10,056.9	8,452.8	6,762.3
Alto Noa	3,814.7	2,656.6	2,022.5
Buenos Aires Design	3,264.2	2,543.2	1,874.9
Mendoza Plaza	2,831.3	2,181.1	1,802.8
Alto Rosario	6,303.1	4,847.2	3,390.4
Córdoba Shopping Villa Cabrera	4,367.3	3,552.0	2,503.8
Dot Baires Shopping	5,265.1	4,001.7	3,389.3
Soleil Premium Outlet	5,726.0	4,242.5	2,908.4
La Ribera Shopping	2,109.4	1,340.3	1,129.7
Distrito Arcos (2)	6,993.8	1,891.1	-
Alto Comahue (3)	4,832.1	1,236.1	-

(1)
Correspond to consolidated annual accumulated rental prices according to the IFRS divided by gross leaseable square meters. Does not include income from Fibesa or Patio Olmos.

(2)
Opening was on December 18, 2014.

(3)
Opening was on March 17, 2015.

Lease Expirations

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

Year of expiration	Number of Agreements (1)	Square meters to expire	Percentage to expire	Amount million of Ps.) (3)	(In	Percentage of Agreements
2016	171	33,155.2	10%(1)	96.29		8%
2017	487	83,781.3	25%	356.83		30%
2018	403	69,906.2	21%	308.86		26%

2019 and subsequent years	581	146,312.7	44%	409.13	35%
Total (2)	1,642	333,155.4	100%	1,171.11	100%

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

New Agreements and Renewals

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

Type of Business	Number of Agreements	Annual Base Rent Amount (million Ps.)	Annual Admission Rights Amount (million Ps.)	Average Annual Base Rent per sqm (Ps.)		Number of non-renewed agreements(1)	Non-renewed agreements(1) Annual Base Rent Amount (million Ps.)
				New and renewed	Former agreements		
Clothing and footwear	456	345.3	95.9	6,394.0	4,029.7	515	366.1
Miscellaneous(2)	103	76.1	25.0	3,622.4	2,904.1	118	91.6
Restaurant	86	45.0	8.3	3,990.2	3,381.3	130	74.5
Home & décor	43	19.5	5.4	3,735.3	2,480.8	48	26.4
Houseware	26	39.5	4.0	4,997.9	3,216.9	25	29.2
Entertainment	9	13.5	1.1	673.3	322.9	23	17.2
Services	12	6.4	0.5	1,867.2	1,702.2	48	20.7
Total	735	545.2	140.3	4,435.8	2,550.3	907	625.9

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

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Depreciation.

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

Principal Terms of the Leases.

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

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

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

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

IRSA is responsible for supplying each shopping center with electricity, a main telephone switchboard, central air conditioning and a connection to a general fire detection system. Each rental unit at our properties is connected to these systems. The Company also provides food court tenants with sanitation and with gas connections. Each tenant is responsible for completing all the necessary installations within its own rental unit, in addition to the direct expenses generated by these items within each rental unit. These direct expenses generally include: electricity, water, gas, telephone and air conditioning. Tenants must also pay for a percentage of total charges and general taxes related to the maintenance of the common areas. IRSA determines this percentage based on different factors. The common area expenses include, among others, administration, security, operations, maintenance, cleaning and taxes.

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

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

Sources of Shopping Center Sales

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

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

Competition

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

The following table sets forth certain information relating toconcerning the most importantsignificant owners and operators of shopping centers in Argentina:.

Company	Shopping Center	Location (1)	Gross Leasable Area (2)(sq.m.)	Stores	National GLA Percentage (2)	Stores Percentage (2)
IRSA Commercial Properties						
	Dot Baires Shopping	CABA	49,641	150	2.14%	2.16%
	Mendoza Plaza Shopping	Mendoza	42,043	139	1.81%	2.00%
	Abasto de Buenos Aires	CABA	40,470	170	1.74%	2.45%
	Alto Avellaneda	GBA	35,887	134	1.54%	1.93%
	Alto Rosario	Rosario	30,057	143	1.29%	2.06%
	Alto Palermo Shopping	CABA	18,966	142	0.82%	2.05%
	Alto Noa	Salta	19,040	89	0.82%	1.28%
	Alcorta Shopping	CABA	15,877	112	0.68%	1.62%
	Córdoba Shopping	Córdoba	15,582	110	0.67%	1.59%
	Soleil Premium Outlet	GBA	13,991	78	0.60%	1.12%
	Buenos Aires Design	CABA	13,903	62	0.62%	0.89%
	Distrito Arcos	CABA	11,170	60	0.48%	0.87%
	Patio Bullrich	CABA	11,738	88	0.51%	1.27%
	La Ribera Shopping	Santa Fe	9,851	63	0.42%	0.91%
	Alto Comahue	Neuquen	9,890	102	0.43%	1.47%
	Subtotal		338,198	1,642	14.55%	23.67%
Cencosud S.A.						
	Subtotal		650,256	1,456	28.01%	21.02%
Other Operators						
	Subtotal		1,334,846	3,836	57.44%	55.32%
	Total		2,323,278	6,934	100%	100%

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

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

Source: Argentine Chamber of Shopping Centers.

Seasonality.

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

Offices and Others

According to Colliers International, as of June 30, 2016, the A+ and A office inventory remained stable since end of 2015 at 1,655,954 sqm. In terms of rental availability, there was a 1% decrease in the vacancy rate to 6.4% during the second quarter of 2016 compared to the same period the previous year. Thus, the vacancy rate has remained stable between 6% and 8% since 2010. These values indicate that the market is healthy in terms of its operations, allowing an optimum level of supply with balanced values. According to the market segments, class A properties show a vacancy rate of 7% for the entire stock, while A+ properties buildings show a vacancy rate of 5%.

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

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

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

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

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

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

Management

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

Leases

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

Properties.

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

	Date of Acquisition	Gross Leasable Area (sqm) (1)	Occupancy Rate (2)	IRSA's Effective Interest	Monthly Rental Income (in thousands of Ps.) (3)	Annual accumulated rental income as of June 30, (in millions of Ps.)(4)			Book Value (in millions of Ps.)
						2016	2015	2014	
Offices									
Edificio República(5)	04/28/08	19,885	100.0%	100.0%	7,637	72	62	46	191
Torre BankBoston(5)	08/27/07	14,873	100.0%	100.0%	5,098	56	42	35	130
Bouchard 551	03/15/07	-	-	100.0%	-	3	10	24	9
Intercontinental Plaza(5)	11/18/97	6,569	100.0%	100.0%	2,036	28	56	40	12

Bouchard 710(5)(6)	06/01/05	15,014	100.0%	100.0%	7,020	68	48	34	79
Dique IV(9)	12/02/97	-	-	-	-	15	32	25	-
Maipú 1300	09/28/95	1,353	100.0%	100.0%	486	6	16	15	6
Libertador 498	12/20/95	620	100.0%	100.0%	611	6	2	3	4
Suipacha 652/64(5)	11/22/91	11,465	90.7%	100.0%	2,085	22	16	13	12
Dot Building (5)	11/28/06	11,242	100.0%	80.0%	3,521	31	27	19	121
Subtotal Offices		81,021	98.7%	N/A	28,494	307	311	254	564
Other Properties									
Santa María del Plata	10/17/97	106,610	100.0%	100.0%	676	12			13
Nobleza Picardo (7)	05/31/11	109,610	74.8%	50.0%	185	2	8	8	7
Other Properties (8)	N/A	38,646	42.8%	N/A	1,714	11	7	3	44
Subtotal Other Properties		154,942	80.3%	N/A	2,575	25	15	11	64
Total Offices and others (7)		335,887	84.7%	N/A	31,069	332	326	265	628

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

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

As of June 30, 2016

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

Includes Offices, whose lease agreement has not yet been renewed as of June 30, 2016.
Does not include vacant leased square meters.
Does not include square meters or revenues from parking spaces.

The following table shows our offices occupancy percentage as of the end of fiscal years of June 30, 2016, 2015 and 2014:

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

(1) Leased surface area in accordance with agreements in effect as of June 30, 2016 and 2015 considering the total leaseable office area for the same periods.

The following table sets forth the annual average income per square meter for our offices during fiscal years ended June 30, 2016, 2015 and 2014.

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

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

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

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

New agreements and renewals

The following table sets forth certain information on lease agreements as of June 30, 2016:

Property	Number of Agreements(1)(5)	Annual Rental income (in millions of Ps.) (2)	Rental income per sqm New and Renewed (3)	Previous rental income per sqm (3)	N° of non-renewed agreements	Non-renewed agreements Annual rental income (4) (in million Ps.)
Maipú 1300	3	3.4	269.8	385.0	1	1
Libertador 498	1	3.2	427.8	413.6	-	-
Intercontinental Plaza	1	2.5	232.5	232.5	-	-
Bouchard 710	3	12.9	399.2	331.8	-	-
Torre BankBoston	3	11.2	375.5	283.5	1	32
Edificio República	4	18.5	399.8	477.4	-	-
Dot Building	1	3.7	374.1	327.3	2	6
Suipacha 664	3	6.5	151.0	143.3	3	14
Total Offices	19	61.9	312.9	299.5	7	53

(1)
Includes new and renewed agreements executed in fiscal year 2016.
(2)
Agreements stated in US dollars converted into Pesos at the exchange rate prevailing in the initial month of the agreement multiplied by 12 months.
(3)
Monthly value.
(4)
Agreements stated in US dollars converted into Pesos at the exchange rate prevailing in the last month of the agreement, multiplied by 12 months.
(5)
Does not include agreements of parking spaces, antennas or terrace space.

Sales and Development of Properties and Land Reserves

Residential Development Properties

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

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

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

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

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

	As of June 30,		
Development	2016	2015	2014
Residential apartments			
Caballito Nuevo	-	2	1
Condominios I y II (1)	-	7	52
Horizons (2)	5	5	23
Other residential apartments (3)	2	-	-
Subtotal residential apartments	7	14	76
Residential Communities			
Abril (4)	-	1	2
El Encuentro	-	-	8
Subtotal Residential Communities	-	1	10
Land Reserve			
Neuquén	-	-	13
Subtotal Land Reserve	-	-	13
Total	7	15	99

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

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

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

Partial sales of “Maipú 1300” building

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

Sale of Isla Sirgadero Land Reserve (Santa Fe)

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

Partial Sale of Intercontinental Plaza (through IRSA Propiedades Comerciales)

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

Sale of “Dique IV” building

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

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

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

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

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

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

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

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

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Estimated Capital Expenditures

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

(1) 45% of the development corresponds to our subsidiary IRSA Propiedades Comerciales S.A.

(2)
The amount corresponds to the expected total amount of the project, not only for the Fiscal Year 17.

(3)
We have translated U.S. dollars into Pesos at the offer exchange rate quoted by Banco de la Nación Argentina for June 30, 2016, which was Ps. 15.04=U.S.$1.00.

Alto Palermo Expansion

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

First stage of Polo Dot

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

Catalinas Building

The "Catalinas" project is located in one of the most sought-after spots for office development in Argentina. The building to be constructed will have 35,468 square meters of gross leaseable area in 30 office floors and 316 parking spaces. Construction is scheduled to begin towards the end of the current calendar year and will take approximately three years to be completed.

Development	Company	Interest	Date of Acquisition	Surface area sqm	Area intended for sale sqm (1)	Area intended for construction	Sold (2)	Location	Accumulated Income as of June 2016	Accumulated Income as of June 2015	Book Value (ARS MM)
Residential properties Available for sale											
Condominios del Alto I	IRSA CP	100%	04/30/1999	-	2,082	-	100%	Santa Fe	-	7	1
Condominios del Alto II	IRSA CP	100%	04/30/1999	-	4,082	-	100%	Santa Fe	-	-	-
Caballito Nuevo	IRSA	100%	11/03/1997	-	7,323	-	100%	CABA	-	2	-
Barrio Chico	IRSA	100%	03/01/2003	-	2,872	-	100%	CABA	-	-	-
El Encuentro	IRSA	100%	11/18/1997	-	127,748	-	100%	Buenos Aires	-	-	-
Abril Club de Campo – Plots	IRSA	100%	01/03/1995	-	5,135	-	100%	Buenos Aires	-	1	-
Abril Club de Campo – Manor House (3)	IRSA	100%	01/03/1995	31,224	34,605	-	100%	Buenos Aires	-	-	2
Torres Jardín	IRSA	100%	07/18/1996	-	-		-	CABA	-	-	-
Departamento Entre Ríos 465/9	IRSA CP	100%	-	-	-		100%	Buenos Aires	1	-	-
Horizons	IRSA	50%	01/16/2007	-	60,232	-	100%	Buenos Aires	5	5	1
Intangible – Receivable units					-				-	-	-
Beruti (Astor Palermo) (4)	IRSA CP	100%	06/24/2008	-	2,170	-	-	CABA	-	-	33
Caballito Manzana 35	IRSA	100%	10/22/1998	-	6,952	-	-	CABA	-	-	52
CONIL - Güemes 836 – Mz. 99 and Güemes 902 – Mz. 95 and Retail Stores	IRSA CP	100%	07/19/1996	1,389	-	5,994	-	Buenos Aires	-	-	5
Canteras Natal Crespo (2 commercial parcels)	IRSA	-	-	40,333	-	-	-	Buenos Aires	-	-	-
Isla Sirgadero(10)	IRSA	100%	02/16/2007	826,276	-	-	-	Santa Fe	-	-	-

Pereiraola (Greenville)	IRSA	100%	04/21/2010	-	39,634	-	-	Buenos Aires	-	-	8
									-		
Subtotal Residential properties				899,222	292,835	5,994			6	15	102
Land Reserves											
Pilar R8 Km 53	IRSA	100%	05/29/1997	74,828	-	-	-	Buenos Aires	-	-	3
Pontevedra	IRSA	100%	02/28/1998	730,994	-	-	-	Buenos Aires	-	-	2
Mariano Acosta	IRSA	100%	02/28/1998	967,290	-	-	-	Buenos Aires	-	-	1
Merlo	IRSA	100%	02/28/1998	1,004,987	-	-	-	Buenos Aires	-	-	1
San Luis Plot	IRSA	50%	03/31/2008	3,250,523	-	-	-	San Luis	-	-	1
Subtotal Land reserves				6,028,622	-	-			-	-	8

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Future Developments											
Mixed Uses											
UOM Luján (5)	IRSA CP	100%	05/31/2008	1,160,000	-	-	N/A	Buenos Aires		-	42
La Adela	IRSA	100%	08/01/2014	10,580,000	-	-	N/A	Buenos Aires	-	-	216
Predio San Martin (Ex Nobleza Piccardo) (6)	IRSA CP	50%	05/31/2011	159,995	-	127,996	N/A	Buenos Aires	-	-	60
Puerto Retiro	IRSA	50%	05/18/1997	82,051	-	-	N/A	CABA	-	-	34
Santa María del Plata (7)	IRSA	100%	07/10/1997	716,058	-	-	N/A	CABA	-	-	223
Residential							-		-	-	-
Coto Abasto Air Space	IRSA CP	100%	09/24/1997	-	-	21,536	N/A	CABA	-	-	10
Neuquén – Residential parcel	IRSA CP	100%	07/06/1999	13,000	-	18,000	N/A	Neuquén	-	-	1
Uruguay Zetol	IRSA	90%	06/01/2009	152,977	62,756	-	N/A	Uruguay	-	-	92
Uruguay Vista al Muelle	IRSA	90%	06/01/2009	102,216	62,737	-	N/A	Uruguay	-	-	64
										-	
Retail											
Caballito Shopping plot (8)	IRSA CP	100%	-	23,791	-	-	N/A	CABA	1	-	4
Dot potential expansion	IRSA CP	80%	-	15,881	-	47,643	N/A	CABA	-	-	-
Offices											
Philips Adjoining plots - Offices 1 and 2	IRSA CP	80%	11/28/2006	12,800	-	38,400	N/A	CABA	-	-	25
Baicom	IRSA	50%	12/23/2009	6,905	-	34,500	N/A	CABA	-	-	4
Intercontinental Plaza II (9)	IRSA CP	100%	02/28/1998	6,135	-	19,598	N/A	CABA	-	-	3
Catalinas Norte Plot	IRSA	100%	12/17/2009	3,649	-	35,468	13%	CABA	-	-	112
Subtotal Future Developments				13,035,458	125,493	343,141				-	890
Total Land Reserves				19,963,302	418,328	349,135			7	15	1,000

(1)
Saleable Area means the housing square meters proper, excluding parking and storage spaces. It is recorded at 100%, before making any sales.
(2)
% Sold includes those sale transactions for which there is a Preliminary Sales Agreement, Possession or a Title Deed executed. Includes housing square meters only, excludes parking and storage spaces.
(3)
Saleable Area includes 31,224 sqm of the plot and 4,712.81 total sqm of the Manor House (not including 1,331.76 sqm of Ground Floor).
(4)
Saleable Area excludes 171 commercial parking spaces to be received and the units as compensation.
(5)
Mixed Used Feasibility requested, pending provincial approval.
(6)

127,996 sqm arise from current laws, a draft project is being made for 479,415 buildable square meters (pending approval).

(7)

Feasibility requested for 716,058 buildable square meters, pending approval from the Legislative body of the City of Buenos Aires.

(8)

Draft project of 71,374 buildable square meters, pending approval of zoning parameters.

(9)

6,135 sqm of surface area correspond to the parcel, which includes Intercontinental I and II.

(10)

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

Residential Apartments and Lofts

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

Residential Properties (available for Sale)

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

As of June 30, 2016, works in parcel H have been completed; and all the units subject to the barter agreement have been received, with 13 parking spaces available for sale.

Barrio Chico – City of Buenos Aires

This is a unique Project located in Barrio Parque, an exclusive residential area in the City of Buenos Aires. During May 2006, the commercialization of the project was launched with successful results. The image of the product was originally developed under the name "Barrio Chico" through advertisements in the most important media. As of June 30, 2016, the project is completed and there are 2 parking spaces yet to be sold.

Abril – Hudson – Province of Buenos Aires

Abril is a 312-hectare private residential community located near Hudson City, approximately 34 kilometers south of the City of Buenos Aires. We have developed this property into a private residential community for the construction of single-family homes targeting the upper-middle income market. The project includes 20 neighborhoods subdivided into 1,273 lots of approximately 1,107 square meters each. Abril also includes an 18-hole golf course, 130 hectares of woodlands, a 4,000-square meter mansion and entertainment and recreational facilities. A bilingual school, horse stables and sports centers and the construction of the shopping center were concluded in 1999. The project is highly consolidated, and as of June 30, 2016 there are no lots pending execution of the relevant title deed.

"La Casona Abril" is located in the heart of the project. It is the antique manor of "Estancia Pereyra Iraola," which was built in the 1930s by architect José Mille. This French-style palace of the XIX century has 4,700 sqm distributed over four floors and a manicured garden of approximately 30,000 sqm.

Horizons, Vicente López, Olivos, Province of Buenos Aires

The IRSA-CYRELA Project, developed over two adjacent blocks, was launched in March 2008 under the name Horizons. Horizons is one of the most significant developments in Greater Buenos Aires, featuring a new concept in residential complexes given its emphasis on the use of common spaces. This project includes two complexes with a total of six buildings: one complex faces the river and consists of three 14-floor buildings, the "Río" complex, and the other one, facing Libertador Avenue, consists of three 17-floor buildings, the "Parque" complex, encompassing 59,000 square meters of saleable area distributed over 467 units (excluding the units to be delivered as consideration for the purchase of the lands). Horizons is a unique and style-innovating residential complex offering 32 amenities, including a meeting room, work zone, heated swimming pools, community center with spa, sauna, gym, childrens' room, teen room, thematically landscaped areas, and aerobic trail. The showroom was opened to the public in March 2008 with great success. As of June 30, 2016, the project was fully built and two apartments and two parking spaces are pending execution of the title deed. The stock available for sale consists of two parking spaces and 40 storage spaces.

Intangibles - Units to be received under barter agreements

Beruti Plot – City of Buenos Aires (IRSA CP)

On October 13, 2010, through our subsidiary IRSA CP, and TGLT S.A. ("TGLT"), entered into an exchange agreement in connection with a plot of land located at Beruti 3351/59 in the City of Buenos Aires for cash and 2,170 square meters in future residential apartments to be constructed by TGLT on the plot. In addition, TGLT will deliver 32 residential parking spaces and 171 commercial parking spaces to IRCP.

Caballito Plot – City of Buenos Aires (IRSA)

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

A neighborhood association named Asociación Civil y Vecinal SOS Caballito secured a preliminary injunction which suspended the works to be developed by TGLT in the abovementioned property. Once said preliminary injunction was deemed final, the Government of the City of Buenos Aires and TGLT were served notice of the complaint. Both first and second instance, ruled against TGLT´s arguments. In consequence, the permission granted to TGLT in order to build in the area was declared null and void. TGLT and the Government of the City of Buenos Aires filed a federal appeal on The Supreme Court of Buenos Aires. Up to the date, the Court has not reached a decision yet.

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

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

Pereiraola (Greenville), Hudson – Province of Buenos Aires

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

Canteras Natal Crespo, La Calera – Province of Córdoba

On June 26, 2013, we sold 100% of our interest in Canteras Natal Crespo S.A. representing 50% of its capital stock, to Euromayor S.A. de Inversiones for US$ 4,215,000 according to the following payment schedule: US$ 3,815,000 in cash and US$ 400,000 through the transfer of approximately 40,000 sqm for business purposes within the project to be developed on the site known as Laguna Azul. Delivery of the non-monetary consideration is expected in March 2017.

Land Reserves and development properties

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

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

Isla Sirgadero

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

Future Developments

Mixed Uses

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

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

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

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

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

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

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

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

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

Solares de Santa María – City of Buenos Aires

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

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

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In March 2007, a committee of the Government of the City of Buenos Aires, composed of representatives from the Legislative and Executive Branches issued a report stating that such Committee had no objections to our development plan and requested that the General Treasury render a decision concerning the scope of the development plan submitted for the project. In November 2007, 15 years after the Legislative Branch of the City of Buenos Aires granted the general zoning standards for the site, the authorities of the City of Buenos Aires executed

Decree No. 1584/07, which passed the specific ruling, set forth certain rules for the urban development of the project, including types of permitted constructions and the obligation to assign certain spaces for public use and convenience.

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

On October 30, 2012 a new agreement was executed with the Government of the City of Buenos Aires, replacing all prior arrangements, whereby new obligations were agreed. To that end, such Agreement – as well as the previous ones – shall be countersigned and approved by the Legislative Branch of the City of Buenos Aires. The docket containing the Bill of Law was reserved and is pending such legislative treatment. The Agreement provided that if by February 28, 2014 the Bill of Law was not enacted, it would become invalidated -current status to date. In order to secure the desired rules a new Agreement must be executed with the Government of the City of Buenos Aires, to be subsequently confirmed by the Legislature. Currently we have resumed conversations with the Executive Branch through the Transportation and Urban Development Ministry in order to discuss the subscription of a new Agreement (which will also append the Bill of Law).

Puerto Retiro – City of Buenos Aires

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

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

Indarsa had acquired 90% of the capital stock in Tandanor from the National Government in 1991. Tandanor’s main business involved ship repairs performed in a 19-hectare property located in the vicinity of La Boca neighborhood and where the Syncrolift is installed.

As Indarsa failed to comply with its payment obligation for acquisition of the shares of stock in Tandanor, the Ministry of Defense filed a bankruptcy petition against Indarsa, seeking to extend it to the Company.

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

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

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

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

In turn, Tandanor filed a civil action against Puerto Retiro S.A. and the other defendants in the criminal case for violation of Section 174 (5) based on Section 173 (7) of the Criminal Code. Such action seeks -on the basis of the nullity of the decree that approved the bidding process involving the Dársena Norte property- a reimbursement in favor of Tandanor for all such amounts it has allegedly lost as a result of a suspected fraudulent transaction involving the sale of the property disputed in the case.

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

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

Residential

Coto Residential Project (IRSA CP)

The Company owns approximately 23,000 sqm of air space above the Coto hypermarket that is close to the Abasto Shopping Center in the heart of the City of Buenos Aires. 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 above of the premises located in the block formed by Agüero, Lavalle, Guardia Vieja and Gallo streets, in the Abasto neighborhood.

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

Córdoba Shopping Center Project (IRSA CP)

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

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

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

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

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

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

We intend to carry out an urban project consisting of the development and commercialization of 13 apartment buildings. This project has the "urban feasibility" status for the construction of approximately 200,000 sqm for a term of

10 years, which was granted by the Mayor's Office of the Canelones department and by its Local Legislature. Zetol S.A. and Vista al Muelle S.A. agreed to carry out the infrastructure works for US$ 8 million as well as delivery of a minimum amount of sqm of properties. The satisfaction of this commitment under the terms and conditions agreed upon will grant an additional 10-year effective term to the urban feasibility status.

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

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

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

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

Retail

Caballito Plot – City of Buenos Aires (IRSA CP)

This is a property of approximately 23,791 sqm in the City of Buenos Aires, neighborhood of Caballito, one of the most densely populated of the city, which we purchased in November 1997. This plot would allow to develop up to 71,000 sqm distributed in several uses including a shopping center , a hypermarket, a cinema complex, and several recreation and entertainment activity areas. At present, the Legislature of the City of Buenos Aires has received from the Executive Branch a legislative bill project to approve the zoning parameters corresponding to this property, currently the project is being reviewed by several committees within the Legislature in order to be submitted to approval through voting.

Dot Adjoining Plot – City of Buenos Aires (IRSA CP)

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

On June 3, 2013, we were given notice that the Government of the City of Buenos Aires had approved the requested parcel subdivision of the ex-Philips plot. As a result, the property was divided into three parcels: two parcels of approximately 6,400 sqm each and a parcel adjoining DOT Shopping of 15,900 sqm intended for the future extension of the shopping center in 47,000 sqm.

Offices

Philips Adjoining Plots 1 and 2 – City of Buenos Aires (IRSA CP)

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

Baicom Plot - City of Buenos Aires

On December 23, 2009, we acquired 50% of a parcel located in the surroundings of the Buenos Aires Port, for a purchase price of Ps. 4.5 million. The property's total surface area is 6,905 square meters and there is a construction permit associated for 34,500 square meters in accordance with the City of Buenos Aires urban construction rules and regulations.

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

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

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

Hotels

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

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

The following chart shows certain information regarding our luxury hotels:

Hotels	Date of Acquisition	IRSA's Interest	Number of rooms	Occupancy(1)	Average Price per Room Ps.(2)	Fiscal Year Sales as of June 30, 2016	2015	2014	Book Value
Intercontinental (3)	11/01/1997	76.34%	309	70.58%	1,694	195	143	124	58
Sheraton Libertador (4)	03/01//1998	80.00%	200	73.42%	1,506	119	94	74	29
Llao Llao (5)	06/01/1997	50.00%	205	51.15%	3,784	220	159	134	75
Total	-	-	714	65.79%	2,102	534	396	332	162

(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.

Additional information about our Hotels

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

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

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

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

Hotel Intercontinental, City of Buenos Aires

In November 1997, we acquired 51% of the Hotel Intercontinental from Pérez Companc S.A. The Hotel Intercontinental is located in the downtown City of Buenos Aires neighborhood of Montserrat, near the Intercontinental Plaza office building. Intercontinental Hotels Corporation, a United States corporation, currently owns 24% of the Hotel Intercontinental. The hotel's meeting facilities include eight meeting rooms, a convention center and a divisible 588 sqm ballroom. Other amenities include a restaurant, a business center, a sauna and a fitness facility with swimming pool. The hotel was completed in December 1994 and has 309 rooms.

Hotel Sheraton Libertador, City of Buenos Aires

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

International Segment

Lipstick Building, New York, United States

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

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

Lipstick Building	June 30, 2016	June 30, 2015	YoY Var
Gross Leasable Area (sqm)	58,094	58,094	-
Occupancy	97.33%	91.86%	5.47pp
Rent (US$./sqm)	66.67	64.74	2.98%

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

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

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

Investment in Condor HospitalityTrust

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

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

In March 2016, Condor exchanged its Class C preferred shares for newly issued Class D preferred shares. In this new issue, "Stepstone Real Estate" joined as new partner to the investment by contributing US$ 30 million, which were used to retire the Class A and B Preferred shares and to acquire new hotels.

The new Class D preferred shares accrue interest at an annual rate of 6.25% and will be convertible into common shares at a price of US$ 1.60 per share at any time upon the occurrence of an event of capitalization with respect to Condor.

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

Financial Operation and Others Segment

Our interest in Banco Hipotecario

As of June 30, 2016, we held a 29.91% interest in Banco Hipotecario. Established in 1886 by the argentine government and privatized in 1999, Banco Hipotecario has historically been Argentina's leading mortgage lender, provider of mortgage-related insurance and mortgage loan services. All of its operations are located in Argentina where it operates a nationwide network of 62 branches in the 23 Argentine provinces and the City of Buenos Aires, and 15 additional sales offices. Additionally, its subsidiary Tarshop S.A. has 24 sales offices.

Banco Hipotecario is an inclusive commercial bank that provides universal banking services, offering a wide variety of banking products and activities, including a wide range of individual and corporate loans, deposits, credit and debit cards and related financial services to individuals, small-and medium-sized companies and large corporations. As of June 30, 2016, Banco Hipotecario ranked fifteenth in the Argentine financial system in terms of shareholders' equity and in terms of total assets. As of June 30, 2016, Banco Hipotecario's shareholders' equity was Ps. 5,816.2 million, its consolidated assets were Ps. 40,527.3 million, and its net income for the twelve-month period ended June 30, 2016 was Ps. 1,115.3 million. Since 1999, Banco Hipotecario's shares have been listed on the Buenos Aires Stock Exchange in Argentina, and since 2006 it has had a Level I ADR program.

Banco Hipotecario continues to deploy its business strategy of diversifying its loan portfolio. As a result, non-mortgage loans increased from Ps. 10,708 million as of December 31, 2013 to Ps. 14,845.9 million as of December 31, 2014, Ps. 17,944.7 million as of December 31, 2015 and Ps. 19,339.6 million as of June 30, 2016, increasing the composition of its aggregate loan portfolio to the non-financial private sector from 82.8% as of December 31, 2013 to 88.7% as of June 30, 2016. Non-performing loans represented 2.1% of its total portfolio as of June 30, 2016.

Furthermore, Banco Hipotecario has diversified its funding sources, by developing its presence in the local and international capital markets and increasing its deposit base. Its financial debt represented 35.2% of the total financing as of June 30, 2016.

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

Operation Center in Israel.

Investment in IDB Development Corporation

Acquisition of Control of IDBD

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

Tender Offers

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

The price paid for each IDBD share to holders of record as of March 29, 2016 was: (i) NIS 1.25 million in cash, resulting in a total payment of NIS 159.6 million (US$42.2 million); (ii) NIS 1.20 per share through the subscription and delivery of IDBD's Series 9 bonds ("IDBD Bonds") that was paid by Dolphin at par; therefore, it subscribed bonds for NIS 166.5 million, including the payments due to warrant holders (as detailed below); and (iii) the commitment to pay NIS 1.05 million (subject to adjustment) in cash if Dolphin receives authorization to assume control of Clal Insurance Company Ltd. and Clal Insurance Business Holdings Ltd. or IDBD sells its interest in Clal for a sale price per Clal share in excess of 75% of its book value Dolphin being would be required to pay approximately NIS 155.8 million (approximately US$40.8 million) in aggregate.

Any warrants held by minority shareholders that were not exercised as of March 28, 2016, would be convertible at a price equal to the difference (if positive) between NIS 2.45 and the warrant exercise price, and payable in IDBD Bonds.

In addition, Dolphin made a capital contribution of NIS 348.4 million into IDBD, in exchange for a subordinated loan, convertible into shares.

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

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

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

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

Real Estate

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

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

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

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

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

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Nave-Gad (wholly-owned) is engaged in the planning, development and construction of quality residential neighborhoods. All neighborhoods are developed as unique all-inclusive “residential parks” that include various components of full environmental development and associated community services (public parks, trails, pavements and parking lots).

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

		Initial costs		Subsequent costs	Costs at end of the year							
Name	Encum-brances	Plot of land	Buildings, facilities and improvement	Improve-ments / Additions	Plot of land	Buildings, facilities and improvements	Total	Accumu-lated depreciation	Net book amount	Date of construction	Date of acquisition	Useful life as of 06.30.16
Tivoli	Mortgage	171	1,241	-	124	1,969	2,093	(46)	2,047	apr-2011	oct-2015	35
Kiryat Ono Mall	Mortgage	316	696	8	502	1,115	1,617	(19)	1,598	nov-2002	oct-2015	70
Shopping Center Modi'in A	Mortgage	223	289	-	354	459	813	(8)	805	aug-2005	oct-2015	38
HSBC	Mortgage	5,471	1,778	-	8,337	2,962	11,299	(74)	11,225	1927-1986	oct-2015	85
Matam park - Haifa	Mortgage	544	2,685	480	910	4,842	5,752	(90)	5,662	1979-2016	oct-2015	63
Caesarea - Maichaley Carmel	-	142	230	-	226	365	591	(8)	583	jun-1995	oct-2015	76
Herzeliya North	-	777	1,025	856	1,498	2,662	4,160	(35)	4,125	1996-2019	oct-2015	80
Gav-Yam Center - Herzeliya	Mortgage	748	817	-	1,187	1,297	2,484	(35)	2,449	1997-2006	oct-2015	64
Neyar Hadera Modi'in	-	186	248	-	295	393	688	(8)	680	jun-1995	oct-2015	84
Gav yam park - Beer Sheva	Mortgage	34	402	16	54	658	712	(12)	700	jul-1959	oct-2015	70
Hazomet Kfar Saba	-	-	74	-	-	117	117	-	117	jun-1950	oct-2015	50
Bilu	-	-	54	-	-	86	86	-	86	jun-1950	oct-2015	35
Mazkeret Batia	-	-	69	-	-	109	109	-	109	jul-1950	oct-2015	50
Netania	-	-	525	23	-	861	861	(12)	849	jun-1950	oct-2015	30
Rishon Le Zion	-	-	44	-	-	70	70	-	70	may-1903	oct-2015	35
Rehovot	-	-	69	13	-	125	125	-	125	jun-1950	oct-2015	35
Mizpe Sapir	-	-	78	-	-	128	128	(4)	124	jun-1950	oct-2015	35
Holon	-	191	15	-	303	24	327	-	327	jan-1969	oct-2015	25
Haifa	-	15	-	-	24	-	24	-	24	jan-1970	oct-2015	25
Others	-	1,781	3,938	195	3,018	5,830	8,848	(89)	8,759	N/A	oct-2015	N/A
Total Rental properties		10,599	14,277	1,591	16,832	24,072	40,904	(440)	40,464			

Undeveloped parcels of land												
Tivoli	-	15	-	-	24	-	24	-	24	apr-2012	oct-2015	
Queensridge Towers	-	223	-	-	266	-	266	-	266	apr-2012	oct-2015	
Zarchini Raanana	-	-	49	-	-	78	78	-	78	-	oct-2015	-
Kurdani	-	-	-	-	-	-	-	-	-	-	oct-2015	-
Others	-	1,056	5	-	1,785	-	1,785	(8)	1,777	N/A	oct-2015	N/A
Total undeveloped parcels of land		1,294	54		2,075	78	2,153	(8)	2,145			
Tivoli	-	-	1,170	103	-	1,981	1,981	-	1,981	in progress	oct-2015	-
Ispro Planet – Beer Sheva – Phase 1	-	154	294	296	245	817	1,062	-	1,062	in progress	oct-2015	-
Others	-	149	245	-	191	689	880	-	880	in progress	oct-2015	N/A
Total properties under development		303	1,709	399	436	3,487	3,923		3,923			

Supermarkets

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

Among its other branches, Shufersal owns the Mega chain, the largest supermarket chain in Israel. Our Supermarkets segment generated operating income of Ps. 424 million for the fiscal year ended June 30, 2016, representing 59% of our consolidated operating income for the Operations Center in Israel for such year.

Shufersal operates five different retail formats throughout Israel:

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

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

(iii)

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

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

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

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

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

Shufersal also owns a sophisticated 40,000 m2 logistics center in Rishon Lezion in addition to distribution centers in Kfar Vitkin, Ramle, and Kadima.

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

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

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

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

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

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

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

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

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

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

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

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

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

Agrochemicals

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

Adama is one of the leading generic brand crop protection companies in the world. Adama has a heritage dating back 70 years and strives to develop products to simplify and optimize agricultural production, offering farmers products and services that optimize crop yields. Adama has a comprehensive range of high-quality, innovative and effective crop protection products, including herbicides, insecticides, fungicides, plant growth regulators and seed treatments, designed to improve the quality and quantity of crop yields by preventing or controlling harmful, insects and disease. Adamas' comprehensive product portfolio includes more than 270 active ingredients and more than 1,000 end-use products. Our Agrochemicals segment generated an income of Ps. 334 million from the investment in Adama for the fiscal year ended June 30, 2016.

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

Adamas' range of products include crop protection solutions and other related products that leverage its core expertise, including dietary supplements and food additives, aromatic products and industrial products. Accordingly, Adama organizes and manages its business in two segments: crop protection and other operations. The crop protection business focuses on the research, development, production and marketing of products that enhance crop yields by protecting against the damaging and destructive effects of a variety of weeds, pests and disease. Adama markets (mostly directly and through third parties) the products it develops and produces, as well as other crop protection products it sources from third parties. Crop protection products in the global market are divided into

(i) patent-protected and legacy, branded off-patent products, most of which were originally developed by leading companies in the field; and (ii) newly introduced, branded off-patent products, such as our products, which are similar to patent-expired products (in terms of composition) and are produced by off-patent focused companies.

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

On July 17, 2016, DIC reported that it had accepted ChemChina's offer to acquire 40% of Adama Agricultural Solutions Ltd.'s shares, indirectly controlled by IDBD through DIC. For more information see "Recent Developments".

Telecommunications

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

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

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

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

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

(1)
Subscriber data refers to active cellular subscribers. Cellcom uses a six-month method to calculate cellular subscriber base, which means that Cellcom deducts subscribers from its cellular subscriber base after six months of no revenue generation and activity on its network by or in relation to the post-paid subscriber, no revenue generating calls or SMS for pre-paid subscriber and no data usage or less than NIS 1 of accumulated revenues for M2M (machine to machine) subscribers. The six-month method is, to the best of our knowledge, consistent with the methodology used by other cellular providers in Israel. During the fourth quarter of 2011, Cellcom removed approximately 52,000 subscribers from our subscribers base, which included its subscribers using its TDMA network who had not requested a transfer to its other networks following the shutdown of its TDMA network as of December 31, 2011, and subscribers who ceased using services following a change to Cellcom's policy which previously allowed subscribers to change from post to prepaid subscription as a result of the reduction of Early Termination Fees in the cellular market in early 2011.

These changes affected other key performance indicators. In the fourth quarter of 2012, Cellcom removed approximately 138,000 M2M subscribers from its subscriber base, following the addition of the above revenue generation criterion for M2M subscribers. This change had an immaterial effect on Cellcom's ARPU for 2012. In the fourth quarter of 2013 we removed approximately 64,000 subscribers from our subscribers base, following a change to our prepaid subscribers counting mechanism. As a result of such change, we add a prepaid subscriber to our subscribers base only upon charging a prepaid card and remove them from our subscribers base after six months of no revenue generating calls or SMS. Following each of these changes, we have not restated prior subscriber data to conform to such changes.

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

Television Market

Our offer to the Israeli Market includes:

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

Cellular Services and Products

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

Basic cellular services

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

Value-added services

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

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

Handsets

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

Cellcom also sells modems, tablets and smart watches to promote data services. In addition, it sells added value products to its customers, such as smart watches. Samsung International Co. Ltd. provides us Samsung products and spare parts for such products, under terms, including price of products, agreed between us and Samsung from time to time.

In 2013, Cellcom entered into an agreement with Apple Sales International for the purchase and distribution of iPhone products in Israel. Under the terms of the agreement, Cellcom has committed to purchase a minimum quantity of iPhone products over a period of three years, which have represented a significant portion of total cellular handset sales over that period.

Landline services

In addition to cellular services, Cellcom provides landline telephony, transmission and data services, using approximately 1,780 kilometers of inland fiber-optic infrastructure and complementary microwave links. Cellcom has offered transmission and data services since 2001, landline telephone service since July 2006, and advanced, voice and data landline services since 2008, both to selected business customers. Since May 2015 Cellcom (and Netvision) have offered internet infrastructure services through the landline wholesale market, using Bezeq's VDSL infrastructure. Netvision also offers landline services to both private and business customers, focusing on the private sector.

As of December 2014, Cellcom offers OTT-TV services, branded "Cellcom tv" to private customers using Netvision's systems. Cellcom tv is a hybrid OTT-DTT TV service provided to the Israeli market. The service includes a set-top box that enables linear channels, including channels based on the Israeli Digital terrestrial television (DTT) broadcasting, Video on Demand library subscription (SVoD) that can be accessed from smartphones and tablets (TV anywhere), access to internet video content from selected internet sites, music streaming service and additional advanced features such as personal video recorder, VoD playlist channels and connection to social networks, at highly competitive prices. Cellcom's VoD catalogue and linear channels offer international and local content from top content suppliers.

Network and Technology

Cellcom's cellular network has developed over the years since it commenced operations in 1994, and we now have dual cellular and wireline capabilities.

The "fourth generation" LTE, or Long Term Evolution technology, was launched in August 2014 and offers data throughput of up to 112 Mbps on the downlink path and up to 37 Mbps on the uplink path (voice services are provided through our 3G network). The LTE network covers most of the population of Israel and in 2016 it continued to deploy this network and allocate additional spectrum in the 1800 band (where possible) in order to enable higher data throughput rate.

The "third generation" UMTS/HSPA+, or high-speed packet data access, technology, offers full interactive multimedia capabilities with current data rates of up to 42 Mbps on the downlink path and up to 5 Mbps on the uplink path. In 2016, Cellcom intends to continue to support the increasing demand for data traffic, while maintaining its quality of services. This network, considered to be a "3.9" technology, uses the same core as Cellcom's GSM/GPRS/EDGE network and covers substantially all of the populated territory in Israel. Moreover, Cellcom's UMTS/HSPA+ network supports types of services that require higher throughput and lower delay, such as video conferencing and provides an adequate fallback for our LTE network by means of smart features and network load sharing.

Cellcom's "second generation" GSM/GPRS/EDGE 1800MHz network allows for voice calls, data transmission and multimedia services, although at slower speeds than the LTE and UMTS/HSPA+ networks. Cellcom's GSM/GPRS/EDGE technology is an advanced second-generation technology considered to be a "2.75G" technology. It enables Cellcom to deliver multimedia and services at speeds that are higher than the rates offered through regular "second generation" digital cellular technology. Packet data rates vary from 50 Kbps to 200 Kbps, depending mainly on handset capabilities. In addition, in the case of coverage gaps and for voice services supported by their GSM/GPRS/EDGE technology, the network provides an adequate voice fallback for their LTE and UMTS networks. Most of Cellcom's traffic uses the UMTS/HSPA+ network with a continuous growth of data using Cellcom's LTE network.

Cellcom's transmission network is comprised of approximately 1,780 kilometers of inland advanced fiber-optic cables that, together with Cellcom's microwave infrastructure, enable them to provide their customers with telephony and high speed and high quality transmission and data services. Cellcom's transmission network is strategically deployed in order to cover the major portion of Israel's business parks and permits them to provide their own backhaul services while reducing their need to lease capacity from Bezeq, the incumbent landline operator in Israel.

Cellcom's system for the provision of advanced centrex services based on cloud solutions to our business landline customers, is by Broadsoft Ltd.

Netvision's platform by LM Ericsson, allows the provision of our OTT TV services, together with the Israeli DTT infrastructure.

Infrastructure

Cellcom has built an extensive, durable and advanced cellular network system, enabling them to offer high-quality services to substantially the entire Israeli populated territory. They seek to satisfy quality standards that are important to their subscribers, such as high voice quality, high data rate packet sessions, low "blocked call" rate (average rate of call attempts that fail due to insufficient network resources), low "dropped call" rate (average rate of calls that are terminated not in the ordinary course) and deep indoor coverage. Therefore, they have made substantial capital expenditures and expect to continue to make substantial capital expenditures on their network system.

Cellcom's LTE network is covering most of the population of Israel and they cover substantially all of the populated areas of Israel with both our UMTS/HSPA+ network and our GSM/GPRS/EDGE network. Our LTE and

UMTS/HSPA+ networks are mostly co-located with our GSM/GPRS/EDGE network.

Cellular Network design

Cellcom has designed the GSM/GPRS/EDGE, UMTS/HSPA+ and LTE networks in order to provide high quality and reliability in-line with the requirements set forth in their license while using a cost-effective design, utilizing shared components for the networks, where applicable.

Cellcom has a DRP for its engineering systems, aimed at increasing its network's survivability in case of damage to any of its component systems. The DRP also provides the network with additional advantages, including increased capacity and advanced qualities in line with our license requirements.

Cellcom's primary goal is to continue deploying its LTE network while allocating a smaller amount of our 1800MGz frequencies to our 2G network, where possible, through advanced and modern equipment and software features, and to continue to support the increasing demand for data traffic of their high speed UMTS/HSPA+ network. At the same time they intend to continue to perform extensive optimization work to provide their subscribers with maximum capability to support video and other broad-bandwidth content.

Cellular Network performance

Cellcom continually seeks to optimize its entire network in order to meet the key performance indicators for its services, including dropped calls, voice quality, accessibility, availability and packet success rate. Cellcom uses advanced planning, monitoring and analyzing tools and introduced advanced and modern equipment and software features in order to achieve performance goals efficiently and with minimal faults.

The main indicators use to measure network performance for voice and packet data are the "blocked call" rate, the "dropped call" rate and average throughput. The average rates of blocked and dropped calls meet those required by Cellcom's operating license. The average throughput indicator is not a license requirement.

Spectrum allocation

Spectrum availability in Israel is limited and is allocated by the Ministry of Communications through a licensing process. Cellcom has been allocated 2x10 MHz in the 850 MHz frequency band previously used by their TDMA network and currently by their UMTS/HSPA base stations, 2x20 MHz in the 1800 MHz frequency band, 5 - 15 MHz (varying dependent on usage required in different areas) of which are used by our LTE network and the remaining is used by their GSM/GPRS/EDGE network (again varying dependent on usage required in different areas) and 2 x 10 MHz 2100 MHz frequency band used by their UMTS/HSPA network. Cellcom believes that its available spectrum is sufficient for its current needs.

Of the 20 1800 MHz spectra, three were allocated to Cellcom in August 2015 by the Israeli Ministry of Communications, for 4G technologies (such as LTE, LTE Advanced) . Unlike Cellcom's other frequencies, these frequencies were awarded for a period of just ten years.

Cell site construction and licensing

Cellcom develops cell sites based on a strategy to expand the geographical coverage and improve the quality of its network and as necessary to replace cell sites as needed. Cellcom's acquisition teams survey the area in order to identify optimal locations for a cell site. In urban areas, this would normally be building rooftops. In rural areas, masts are usually constructed. The transmission teams also identify the best means of connecting the base station to our network, based on Cellcom's independent transmission network, either by physical optical fiber, microwave link or Bezeq landlines. Once a preferred site has been identified and the exact equipment configuration for that site decided, Cellcom begins the process of obtaining all necessary consents and permits. The construction of cell sites requires building permits from local or regional authorities, or an applicable exemption, as well as a number of additional permits from governmental and regulatory authorities, such as construction and operating permits from the Ministry of Environmental Protection in all cases, permits from the Civil Aviation Authority in most cases and permits from the Israeli Defense Forces in some cases. In special circumstances, additional licenses are required.

Transmission network

Cellcom's transmission network provides them with wireline connectivity for their cellular and landline network in substantially all of the populated territory of Israel. It is based on their fiber-optic network and complementary microwave infrastructure. Cellcom's transmission network includes links to their internal cellular network and to their landline and transmission subscribers.

Cellcom's optical transmission network is deployed from Nahariya in the north to Beer Sheva in the south and Afula and Jerusalem in the east, consisting of approximately 1,780 kilometers. The fiber-optic network reaches most of the business parks in the country and is monitored by a fault-management system that performs real-time monitoring in order to enable them to provide our subscribers with high quality service. In order to efficiently complete their transmission network's coverage to substantially the entire country, they use a microwave network as a complementary solution in those areas that are not served by their fiber-optic network.

Information technology

Cellcom maintains a variety of information systems that enable it to deliver superior customer service while enhancing our internal processes.

Sales

As part of Cellcom's strategy to fully penetrate every part of the Israeli market, it seeks to make the purchase of its services and products as easy and accessible as possible, while seeks to optimize costs. These efforts to adapt sales operations to market conditions include optimizing points of sale and transferring operations more cost effective channels. Cellcom offer pricing plans, value-added services, handsets, accessories and related services through a broad network of direct and indirect sales personnel. Cellcom designs pricing plans and promotional campaigns aimed at attracting new subscribers and enhancing customer retention strategies. Cellcom pays independent dealers commissions on sales, while employee sales personnel receive base salaries plus performance-based incentives. All sales and other customer-facing staff go through extensive training prior to commencing their work. Cellcom's distribution and sales efforts for subscribers are conducted primarily through four channels:

Points of sale. Cellcom distribute products and services through a broad network of physical points of sale providing them with nationwide coverage of their existing and potential subscriber base. Cellcom operate directly approximately 28 physical points of sale and service located in central and other frequently visited locations. In 2015, Cellcom reduced the space of several additional points of sale, in line with its operating strategy, which continued in 2016 on a selective basis.

Cellcom also distributes products and services indirectly through a chain of dozens of dealers (including its wholly-owned dealer, Dynamica) which operates at approximately 150 points of sale throughout Israel. These dealers are compensated for each sale based on qualitative and quantitative measures. Cellcom closely monitors the quality of service provided to their subscribers by Cellcom's dealers. In Cellcom's efforts to penetrate certain sectors of their potential subscriber base, Cellcom selects dealers with proven expertise in marketing to such sectors.

Telephonic sales. Telephonic sales efforts target existing and potential subscribers who are interested in buying or upgrading handsets and services. Cellcom's sales representatives (both in-house and outsourced) offer customers a variety of products and services, tailored to their needs.

Account managers. Cellcom's direct sales force for business customers maintains regular contact with mid-sized and large accounts, focusing on sales of cellular and wireline services, customer retention and tailor-made solutions for the specific needs of such customers. Cellcom provides small- and mid-sized business customers one point for both sales and services by phone. Cellcom's account managers are aided by various back office experts in determining customers' needs and making suitable offers. Sales to larger business customers or governmental and local authorities sometimes involves participation in requests for proposals.

Online sales. Cellcom offers customers the ability to purchase products and services through Cellcom's internet site and Cellcom's smartphone application and invest efforts in directing customers toward self-service channels. Cellcom has established a dedicated internet site for the marketing and sales their OTT TV service.

Cellcom Fixed Line Opportunities

Key advantages of Cellcom which are expected to facilitate expansion in the landline business:

- Triple play package – the first of its kind in Israel providing Cellcom television, Internet access and infrastructure and telephony at a highly competitive pricing

- Large subscriber base: approximately. 2.8 million cellular subscribers, representing a 27% market share in the ISP market and approximately 138,000 VOB subscribers

- Leveraging the fiber network infrastructure (approximately 1,780 KM of fiber optic infrastructure) together with the wholesale market aiming to increase market share in the business sector

Insurance

This division includes the assets from Clal Insurance Business Holdings. Clal is one of the largest insurance groups in Israel, whose businesses mainly comprise pension and social security insurance and other insurance lines. Clal, through its subsidiaries, primarily issues insurance policies, provides pension fund management services, including provident funds, and holds assets and other businesses (including holdings in insurance agencies). In 2015, Clal was one of the largest insurance groups operating in Israel. Clal Insurance Enterprises' offers (1) long-term savings plans; (2) non-life insurance products; and (3) health insurance. Clal Insurance Enterprises' other operations are carried out principally through holdings of its Clal Insurance Company Ltd. subsidiary ("Clal Insurance"). We refer to Clal Credit Insurance Ltd. ("Clal Credit Insurance") and the management companies that manage the pension funds and insurance agencies (Clal Insurance Business Holdings Ltd., and the companies held by it), as "Clal Insurance Business Holdings Group"). 51% of Clal's controlling shares are held in trust be managed by a trustee in compliance with the order issued by the Capital Markets Commission of Israel requiring that Clal's controlling stake; therefore, Clal's results are not fully consolidated on a line-by-line basis in IDBD's financial statements, but under a single line as a financial instrument at fair value, as required under IFRS when no control is exercised.

Diagram of holdings

Presented below is a diagram illustrating the structure of the company's primary holdings, as of March 6, 2016:

Clal Holdings Insurance Enterprises is one of the leading insurance and pension companies in Israel. As of June 30, 2016, Clal held a 20% market share in the insurance market and managed over US$43 billion in assets. Clal offers a wide range of services and products to private and corporate customers, such as non-life insurance, health insurance, travel insurance, education funds, provident funds, pension funds, among others. Clal employs over 4,000 people and markets its products through 2,000 insurance agents, to provide service and professional support to their customers. Our Ins urance segment had assets of Ps. 4,602 million as of June 30, 2016, representing 3% of our operating assets for the Operations Center in Israel at such date.

Clal's operations consist of three main insurance divisions:

(i) non-life insurance: the general insurance domain in Clal is among the largest in Israel. The division holds a 15% market share in this segment and offers coverage to private and corporate customers. The non-life insurance division offers a wide range of insurance plans: automotive, property, liability, marine insurance, personal accidents, guarantees and additional services. The division's strategy is to grow their private customer base - automotive, private residences and small businesses, while professionally understanding the unique needs of its diverse customers. Its vision is to provide professional and high-level service to company's agents and customers, through constant improvements and new product development;

(ii) life insurance and long-term savings: this division holds a 15% market share of the long-term savings market, as defined by the Commissioner of Insurance. The division manages long-term assets, including life insurance, pension and provident funds. The division also provides comprehensive solutions to private and corporate customers in all sectors of the Israeli economy. Among the division's customers are large corporations and many residents of the State of Israel. Its objectives are to support the company's distribution channels and become a professional benchmark, helping to improve company business results, profitability and value, while emphasizing quality of service. The division offers a variety of savings options, enabling its customers to maintain a strong, solid economic foundation in the event of death, accident or loss of earning capacity. It also offers a variety of pension funds designed to guarantee a monthly income for life in the event of retirement, disability, or death, enabling economic stability for the future even in difficult times. Clal takes full responsibility for managing its member's. Members enjoy high returns, among the highest in the Israeli market, as well as peace of mind, knowing a large, professional, industry-leading corporation manages their money; and

(iii) health insurance: The health insurance division offers a wide range of products for individuals, families and groups, specializing in comprehensive solutions for specific market segments such as women and children. Clal holds a 21% market share of the health insurance market in Israel and offers health insurance products such as surgeries in Israel and overseas, transplants, medications, critical illness, long-term care, personal accidents, travel and more. Health insurance division vision is to establish Clal as a leading, innovative and professional company in the field of health and nursing care insurance, while providing a professional and timely service to its agents and customers. The division focuses on technological innovation as well as on developing a range of innovative health insurance products, enabling flexibility in creating health insurance packages tailored for each client, based on his needs and financial status. Each package is either derived from existing packages, or custom-built for each customer. The division is constantly growing, and is proud to provide quality service to 400,000 members insured under private insurance plans as well as an additional 2,000,000 members insured under group insurance plans.

In addition, Clal operates in the investments business through its wholly owned subsidiary Canaf, which manages assets worth more than US$ 44,256 million, including members' pension funds, provident funds, insurance executives and also Clal's balance sheet assets and insurance reserves. The size of assets managed by Canaf provides a significant competitive advantage. This is reflected in its accessibility to companies and their executives, information on special transactions, cooperation with relevant independent bodies inside and outside of Israel and the development of mutual strategic relationships with international bodies that specialize in long-term financial management. Canaf has a staff of approximately 80 employees, of whom about 30 are professional investment managers specializing in various aspects of asset and investment management.

The following is a description of the Products and Services offered by Clal:

Description of the Areas of Activity and Insurance Coverages

Products in this sector mainly consist of retirement solutions for salaried and self-employed individuals, private investment solutions and life insurance, and disability insurance.

· Life insurance products. Consist of contractual obligations between insurer and policyholder, and include insurance plans that allow accumulation of savings and insurance plans and/or combinations in insurance plans that include coverage for death, work disability and disability. A policyholder who reaches the end of the insurance period is entitled to insurance benefits (the amounts accrued in the savings component of the policy) in accordance with the policy terms. The policyholder may receive these amounts as a one-time amount ("Capital Payment"), in lifetime installments ("Annuity") or a combination of the two, according to the terms of the policy; in some of the annuity products the policyholder benefits from an annuity coefficient protected against extended life expectancy, which is established on the purchasing date of the policy or on the commencement date of the annuity payment to the policyholder, or which can be purchased once the policyholder reaches the age of at least 60.

· Pension funds. Constitute mutual insurance funds, and operate according to regulations which may change from time to time. From the date of retirement, a pension fund member is entitled to receive lifetime annuity payments based on annuity coefficients that do not guarantee life expectancy, and the annuity is likely to change from time to time according to the actuarial balance of the fund.

· Comprehensive pension funds. Allow pension savings for an annuity and death and disability insurance coverage; benefit from designated bonds; and deposits can be made into them up to the maximum set out in law; general (supplementary) pension funds do not benefit from designated bonds, but allow pension savings for an annuity, and deposits may be made into them beyond the maximum stipulated by law. In some general funds, there is no insurance coverage beyond an old age annuity; provident funds provide savings solutions for the long term (such as provident funds for severance pay and compensation to salaried employees) and medium term (study funds), without insurance coverage. A provident fund member is entitled to withdraw the amounts accumulated in his favor in the capital based provident funds, with respect to deposits made until December 31, 2007, in a one-time amount, whereas the amounts accumulated in his favor which were deposited as from January 1, 2008 may be withdrawn by means of an annuity or annuity capitalization. Until the Control of Financial Services (Provident Funds) (Amendment No. 13) Law, 2015 ("Amendment 13 to the Provident Fund Law") entered into effect, withdrawal by means of an annuity could have been made from an annuity paying provident fund only (currently known as "a provident fund for annuities"), subject to determined exceptions. In this amendment, the option is given to withdraw directly from a provident fund for savings (that was a non-annuity paying provident fund).

How Savings Funds are Invested. Pension savings products differ from each other in the way in which the savings funds are invested. Some of the savings funds are invested in market securities, while others are backed by designated bonds, according to legislation, as set out below:

(a) Life insurance: Life policies issued through the end of 1990 offered policyholders a guaranteed savings component ("Guaranteed Return Policies"). The rate varied according to the type of policy and date of issue. The obligation to pay the guaranteed return was generally backed by designated bonds, whereas the balance of assets was invested according to the restrictions imposed by the Control of Financial Services Regulations (Provident Funds) (Investment Regulations Applicable for Management Companies and Insurers), 2012 (the "Investment Regulations"). As of December 31, 2015, the holding of designated bonds by Clal Insurance constituted 76% of the total assets held against liabilities for Guaranteed Return Policies. Over the years, Clal Insurance Enterprises Holdings Group has redeemed designated bonds, upon approval of the Ministry of Finance, as a means of achieving excess returns. The proceeds were invested in other investments. Clal Insurance Enterprises Holdings Group could not buy back designated bonds for some of the reserves that it redeemed and as a result its exposure to free investments increased. According to the accounting mechanism established with the Ministry of Finance, the designated bonds held will be reduced gradually to a rate of 50% of total revenue held against liabilities for guaranteed return policies.

Policies issued since the early 1990s include mainly investment-linked policies in which savings are invested by the insurance companies in free investments, mainly in capital market instruments, while the return less applicable expenses are applied for the benefit of the policyholder based on the returns achieved by the investment portfolio, less management fees;

(b) pension funds: As of the date of this Annual Report, legacy and new comprehensive pension funds benefit from guaranteed returns on the fund's assets that are backed by designated bonds, up to a maximum rate of 30% of total assets. However, the rate of designated bonds relative to members in the new comprehensive pension funds who, prior to January 1, 2004 were eligible to receive a pension, must represent 70% of the total assets. Also, the government provides "compensation" to the old balanced pension funds in order to reduce the issuance of designated bonds, which was carried out over the years;

(c) provident funds: Since the mid-1980s, designated bonds have not been issued for provident funds (other than a small number of guaranteed return provident funds) and the assets were invested in accordance with the restrictions set out in the Investment Regulations;

(d) Task force to increase certainty in pension savings: In December 2015, the task force to increase certainty in pension savings published a report that, among other things, recommended an increase in the allocation of designated bonds to pensioners and to senior savers approaching retirement age. At the same time, it proposes gradually decreasing the allocation of designated bonds intended for young savers, due to their longer investment horizon. The recommendations of the task force did include an increase in the proportion of designated bonds to total funds under management.

Regulation - the provisions of the Insurance Law, the Supervision of Financial Services (Provident Funds) Law, 5765-2005 (the "Provident Fund Law"), the Income Tax Regulations (Rules for the Approval and Management of Provident Funds), 5724-1964 (the "Provident Fund Regulations"), the Supervision of Financial Services Law (Financial, Consultation, Marketing and Clearing Systems), 5765-2005 ("The Financial Consultation Law") and the pronouncements and interpretations issued by the Commissioner from time to time, apply to pension fund activities. The Insurance Law and the Provident Fund Law require appropriate licensing for any insurer or pension fund and provident fund management company, including those in the Clal Holdings Group, and each is supervised by the Capital Markets Department.

In January 2016, rules were issued setting for the protocol for the issuance of an additional control permit to a company that manages pension funds or provident funds ("Managing Company") for any entity that controls other pension or provident funds. In accordance with applicable regulation, an entity may control multiple Managing Companies without needing to merge the two companies, where one of the Managing Companies. Accordingly, Clal

Insurance is not required to merge the managing companies which it currently controls.

Others

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

Seasonality

In Israel retail segment business results are subject to seasonal fluctuations as a result of the consumption behavior of the population proximate to the Pesach holidays (March and/or April) and Rosh Hashanah and Sukkoth holidays (September and/or October). This also affects the balance sheet values of inventory, customers and suppliers. Our revenues from cellular services are usually affected by seasonality with the third quarter of the year characterized by higher roaming revenues due to increased incoming and outgoing tourism.

In 2016, the Passover holiday fell at the end of April, compared to 2015 when it was at the beginning of April. The timing of the holiday affects Shufersal's sales and special offers in the second quarter of 2016, compared to last year.

The Passover holiday in the second quarter of 2016 had a greater effect on Shufersal's results than in the corresponding quarter in 2015, therefore analysis of the results for the first half of the year compared to the corresponding period in 2015 better represents the changes between the periods.

Legal Framework

Operations Center in Argentina

Regulation and Governmental Supervision

The laws and regulations governing the acquisition and transfer of real estate, as well as municipal zoning ordinances are applicable to the development and operation of our properties. Currently, Argentine law does not specifically regulate shopping center lease agreements. Since our shopping center leases generally differ from ordinary commercial leases, we have created provisions which govern the relationship with our shopping center tenants.

Leases

Argentine law imposes certain restrictions on property owners, including:

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

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

Rent Increases

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

Lease Terms Limits

Under the Argentine Civil and Commercial Code lease terms may not exceed fifty years. Generally, our leases are for terms of three to ten years.

Rescission Rights

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

Other

The Argentine Civil and Commercial Code requires a tenant to give at least 60 days' prior notice of termination. There are no court rulings related to: (i) the tenants' unilateral right to terminate; or (ii) the possibility of establishing a penalty different from that prescribed by law.

While current Argentine government discourages government regulation of leases, there can be no assurance that additional regulations will not be imposed in the future, including regulations similar to those previously in place. Furthermore, most of our leases provide that the tenants pay all costs and taxes related to the property in proportion to their respective leaseable areas. If a significant increase in the amount of such costs and taxes occurs, the Argentine government may respond to political pressure to intervene by regulating this practice, thereby increasing our costs.

Argentine law enables lessors to pursue an "executory proceeding" if lessees' fail to pay rent when due. In executory proceedings, debtors have fewer defenses available to prevent foreclosure, making these proceedings substantially shorter than in normal proceedings. In executory proceedings the origin of the debt is not under discussion; the trial focuses on the formalities of debt instrument itself. The code also permits special eviction proceedings, which are carried out in the same way as ordinary proceedings. The Argentine Civil and Commercial Code requires that notice be given to a tenant demanding payment of amounts due in the event of breach prior to eviction, of no less than ten days for residential leases, and establishes no limitation or minimum notice for other leases. However, historically, backlogs in court dockets and numerous procedural hurdles have resulted in significant delays to eviction proceedings, which generally last from six months to two years from the date of filing of the suit.

Development and Use of the Land

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

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

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

Sales and Ownership

Buildings Law. Buildings Law No. 19,724 (Ley de Pre horizontalidad) was superceded by the Argentine Civil and Commercial Code which became effective on August 1, 2015. The new regulations provide that for purposes of execution of agreements with respect to build units or condo units under construction, the owner or developer must purchase insurance in favor of prospective purchasers against the risk of frustration of the contract. A breach of this obligation prevents the owner from exercising any right against the purchaser–such as demanding payment of any outstanding installments due – unless the owner fully complies with its obligations, but does not prevent the purchaser from exercising its rights against seller.

Protection for the Disabled Law. The Protection for the Disabled Law No. 22,431, enacted on March 20, 1981, as amended, provides that in connection with the construction and renovation of buildings, obstructions to access must be eliminated in order to enable access by handicapped individuals. In the construction of public buildings, entrances, transit pathways and adequate facilities for mobility impaired individuals must be provided for. Buildings developed before the Law came into effect must be retrofitted to provide access, transit pathways and adequate facilities for mobility-impaired individuals. Those pre-existing buildings, which due to their architectural design may not be so retrofitted, are exempted from compliance. The Protection for the Disabled Law provides that residential buildings must ensure access by mobility impaired individuals to elevators and aisles. Architectural requirements refer to pathways, stairs, ramps and parking.

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

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

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Preliminary registration with the Real Estate Registry of the deed of transfer within 30 days of execution of the sales contract.

Once the property is registered, the installment sale must be consistent with the requirements of the Real Estate Installment Sales Act, unless seller affirms that it will not provide for the sale in installments. If a title dispute arises, the installment purchaser who has duly registered the purchase instrument with the Real Estate Registry will be entitled to the deed. Further, the purchaser can demand conveyance of title after at least 25% of the purchase price has been paid, although the seller may demand a mortgage to secure payment of the balance of the purchase price.

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

Other Regulations

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

The Consumer Protection Law, and the applicable provisions of the Argentine Civil and Commercial Code regulate the rights conferred under the Constitution focused on the weakest party in the consumer relationship as a means to prevent potential abuses by vendors of goods and services in a mass-market economy where standard contracts are the norm.

As a result, contractual provisions included in consumer contracts are voided and unenforceable if they:

.
Are inconsistent with the essence of the service to be provided or limit liability for damages;

.
imply a waiver or restriction of consumer rights and an extension of seller rights; or

.
shift the burden of proof to consumers.

In addition, the Consumer Protection Law imposes penalties ranging from warnings to the forfeiture of concession rights, privileges, tax regimes or special credits to which the sanctioned party may be entitled, including closing down of establishments for a term of up to 30 days.

The Argentine Civil and Commercial Code defines a consumer agreement as are entered into between a consumer or end user and an individual or legal entity that provides professional services or a private or public company that manufactures goods or offers services to consumers in the stream of commerce.

In addition, the Consumer Protection Law establishes a joint and several liability system under which for any damages caused to consumers, if resulting from a defect or risk inherent in the thing or the provision of a service, the producer, manufacturer, importer, distributor, supplier, seller and anyone who has placed its trademark on the good or service is liable. The Consumer Protection Law excludes professional services that require a college degree and that are provided by members of professional organizations or those provided by a governmental authority. However, this law regulates professional advertisements.

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

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

On September 17, 2014, a new Consumer Protection Law was enacted by the Argentine Congress –Law No. 26,993. This law, known as "System for Conflict Resolution in Consumer Relationships," provided for the creation of new administrative and judicial procedures. It created a two-tiered administrative system: the Preliminary Reconciliation Agency for Consumer Relationships (Servicio de Conciliación Previa en las Relaciones de Consumo, COPREC) and the Consumer Relationship Audit, and a number of courts assigned to conflicts between consumers and producers (Fuero Judicial Nacional de Consumo). A claim may not exceed a fixed amount equivalent to 55 adjustable minimum living wages, as determined by the Ministry of Labor, Employment and Social Security. The claim must be filed with the administrative agency. If an agreement is not reached between the parties, the claimant may file the claim in court. The COPREC is currently in full force and effect. However, the court system is not in force yet, therefore, any court claims currently must filed with existing courts. A considerable volume of claims filed against us are expected to be settled pursuant to the system.

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

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

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

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

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

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

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

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

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

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

The Argentine Civil and Commercial Code introduced as a novel feature the acknowledgement of collective rights, including the right to a healthy and balanced environment expressly sets forth that the law does not protect an abusive exercise of individual rights if such exercise could have an adverse impact on the environment and collective rights in general. For additional information see "Item 3 (d). Risk Factors - Risk relating to our Business - Our business is subject to extensive regulation and additional regulations may be imposed in the future."

Control Systems

IRSA Commercial Properties owns computer systems to monitor tenants' sales (except stands) in all of its shopping centers. IRSA CP also conducts regular manual audits of its tenants accounting sales records in all of its shopping centers. Almost every store in those shopping centers has a point of sale that is linked to a main computer server in the administrative office of such shopping center. IRSA CP uses the information generated from the computer monitoring system for statistics regarding total sales, average sales, peak sale hours, etc., for marketing purposes and as a reference for the processes of internal audit. The lease contracts for tenants in Alto Avellaneda, Alto Palermo, Alcorta Shopping, Patio Bullrich, Buenos Aires Design, Abasto, Alto Rosario, Alto NOA, Dot Baires Shopping, Córdoba Shopping, Soleil Premium Outlet, La Ribera Shopping, Mendoza Plaza, Distrito Arcos and Alto Comahue contain a clause requiring tenants to be linked to the computer monitoring system, there being certain exceptions to this requirement.

Insurance

We carry all-risk insurance for the shopping centers and other buildings covering property damage caused by fire, explosion, gas leak, hail, storms and wind, earthquakes, vandalism, theft and business interruption. In addition, we carry liability insurance covering any potential damage to third parties or property caused by the conduct of our business throughout Argentina. We are in compliance with all legal requirements related to mandatory insurance, including insurance required by the Occupational Risk Law (Ley de Riesgos del Trabajo), life insurance required under collective bargaining agreements and other insurance required by laws and executive orders. Our history of damages is limited to one single claim resulting from a fire in Alto Avellaneda Shopping in March 2006, a loss which was substantially recovered from our insurers. These insurance policies contain specifications, limits and deductibles which we believe are adequate to the risks to which we are exposed in our daily operations. We further maintain liability insurance covering our directors' and corporate officers' liability.

Operations Center in Israel

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

General regulations applicable to our business in Israel

Proper Conduct of Banking Business

IDBD and certain of its affiliates are subject to supervision by the Israeli Supervisor of Banks relating to "Proper Conduct of Banking Business" which impose, among others limits on the aggregate principal amount of loans a financial institution can have outstanding to a single borrower, a group of related borrowers, and to the largest borrowers and groups of related borrowers of a banking entity (as these terms are defined in the aforesaid directives). IDBD, its controlling shareholders and its affiliates are considered a single group of borrowers for purposes of this regulation. These restrictions limit the ability of IDBD and its affiliates to borrow from a single bank in Israel, their ability to make investments where they require bank lines of credit, to invest in companies that have loans outstanding from banks in Israel, and to make business transactions together with groups that have such credit outstanding. In the period from 2013 and until the date of publication of the report, the concentration of credit risk of IDBD and its affiliates decreased as a result of a reduction in the amount of utilized credit for the group that includes IDBD, including as a result of a change of control that resulted in a re-characterization of the group for purposes of applicable regulation.

Reduced Centralization Act

In December 2013, the official “Reshumot” published in Israel the Promotion of Competition and Reduction of Centralization Law, N° 5774-2013 (the “Reduced Centralization Act ”) pursuant to which a pyramidal structure (or multiholding companies) of control in “reporting entities” (principally entities whose securities are held by public shareholders) is limited to two layers of reporting entities (with the holding company in the first layer not including a reporting entity that has no controlling shareholder). For this purpose, on the date of publication of the law in Reshumot, IDBD was considered a second-tier company and Discount Investments was considered a third-tier company, and as such, Discount Investments would not have been permitted to continue to control the operating companies after December 2019. As a result of the change in control of IDBD, IDBD and Discount Investments are no longer considered as second and third-tier companies, respectively, for the purpose of the Law. If Discount Investments is considered a second-tier company, it would be required by December 2019 at the latest, to cease controlling entities with publicly held securities.

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

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

(b)
Merge IDBD and Discount Investments.

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

Based on these analyses, IDBD considers it more likely that the completion of one of the specified alternatives will be adopted to comply with the restrictions of the Law regarding pyramidal holdings, while allowing IDBD to continue to control Discount Investments, and Discount Investments to continue to control Cellcom after December 2019. PBC, which currently is a third-tier company that controls each of Gav-Yam, Ispro and Mehadrin, has preliminarily evaluated application of the Law on its holding structure and determined that it will be able to maintain said control, as it has concluded that the Law has no effect over its financial statements.

IDBD, as a first-tier company, and Discount Investments, as a second-tier company, are not required to designate independent directors to their respective boards of directors or to appoint outside directors as required by the Law.

Pursuant to the provisions of the Law, the boards of directors of Cellcom, PBC, Elron, Gav-Yam, Ispro and Mehadrin, include a majority of independent outside directors. In June 2014, the Promotion of Competition and Reduction of Centralization (Classification of a Company as a Tier Company) Regulations, N° 5774-2014, came into effect, as part of which exemptions were provided for certain “third-tier” entities from changing the composition of their boards of directors to comply with the Reduced Centralization Act. Pursuant to this law and the Promotion of Competition and Reduction of Centralization (Concessions Regarding the Number of Outside directors) Regulations, N° 5774-2014, and in view of the number of directors who may be appointed with the consent of the Bronfman-Fisher Group (per the terms of the shareholders' agreement between it and Discount Investments), the Board of Directors of Shufersal includes a majority of independent outside directors. In this context, in August 2014, Discount Investments entered into an agreement with an affiliate of the Bronfman-Fisher (which at the time held approximately 19% of the share capital of Shufersal), pursuant to which Discount Investments will vote in favor of the four directors designated by Bronfman-Fisher at the meeting of shareholders of Shufersal (out of a board of fifteen members), for so long as it holds the minimum defined percentage of the share capital of Shufersal, although Discount Investments reserves the right to object to any candidate on reasonable grounds.

These arrangements will be in effect so long as the restrictions of section 25(d) to the Reduced Centralization Act apply to Shufersal. Accordingly, Discount Investments, which as of December 31, 2015, owned approximately 53% of Shufersal's share capital, is effectively able to appoint the majority of the members of Shufersal's Board of Directors.

The Reduced Centralization Act includes provisions relating to a separation between significant affiliates and significant financial institutions. Consequently, so long as IDBD will be a significant operating entity, after December 11, 2019, IDBD will not be able to control Clal Insurance and additional financial affiliates within the Clal Holdings Insurance Enterprise Group or to hold more than 10% of the equity of any such entity (or more than a 5% stake in such an entity if it is regarded as an insurer without a controlling shareholder).

In May 2015, updated lists were published on the website of the Ministry of Finance and the official gazette in connection with the Reduced Centralization Act, which includes a list of the centralization factors, the list of the significant corporations and a list of the significant financial institutions. In accordance with the provisions of the Reduced Centralization Act, a substantial financial institution or a significant real corporation will be deemed as a centralization factor that subjects these entities to the provisions of the Reduced Centralization Act, as well as any entity that is part of a business group that includes a significant financial entity or a significant real corporation. IDBD and its controlling shareholders (Eduardo Elsztain and entities through which he holds his interest in IDBD) and the companies of IDBD (including Discount Investments, Cellcom, PBC, Shufersal, Adama, Clal Holdings Insurance Enterprises, IDB Tourism, Noya Oil and Gas Explorations Ltd. and companies under the control of these companies) were included in the list of centralization factors, and these entities, except for Adama (excluding Eduardo Elsztain himself), were also included in the list of significant corporations. In addition, companies of Clal Holdings Insurance Enterprises, including Clal Insurance (except Clal Holdings Insurance Enterprises) and Epsilon Investment House Ltd. (held by Discount Investments) were also included in the list of the significant financial institutions.

Insofar as Clal Holdings Insurance Enterprises will continue to be considered a significant real entity, this may affect its ability to retain control of Clal Insurance, directly or indirectly after December 2019, which may adversely affect its ability to appoint joint directors in both of the companies (Clal Holdings Insurance Enterprises and Clal Insurance).

In light of the directives issued by the Commissioner in connection with the appointment of a trustee for holding control in Clal Holdings Insurance Enterprises, which currently are held by IDBD and considering the letter issued by the Commissioner on December 30, 2014 pursuant to which IDBD is required to sell its control shares in Clal Holdings Insurance Enterprises, Clal Holdings Insurance Enterprises has appealed to the Concentration Committee in connection with its classification as a significant real entity.

In November 2014, IDBD's Board of Directors resolved, subject to requisite corporate approvals, to promote a consolidation of management functions at IDBD and Discount Investments, in order to achieving costs savings. In this regard, on March 29, 2016, IDBD's Board of Directors approved the terms of office and of employment of Mr. Shalom Lapidot to be chief executive officer of both IDBD and Discount Investments, which was subsequently approved by the compensation committee of Discount Investments. The term of office of Mr. Lapidot is subject to approval of a general meeting of shareholders of Discount Investments.

Regulations applicable to each of the businesses in Israel

Real Estate

In recent years, there has been continued shortage in manpower in the construction and agricultural industries which typically are labor intensive and depend on foreign workers, including in the areas of Judea and Samaria. The security situation in Israel, as well as the shutdown of Judea and Samaria during certain periods of the year, have resulted in continued shortage in the workforce, driven by lower numbers of foreign workers from Judea and Samaria. In July 2015, the Minister of Finance increased the quota of foreign work permits to approximately 20,000 through the end of 2016, as a means to achieving the goal of increasing new construction projects by 70,000 during the year and to promote new housing starts to alleviate the housing crisis. Given the shortage of skilled workers, wages increased in general and in particular those of foreign construction workers. The shortage and unavailability of a skilled workforce, increased construction costs and resulted in longer timetables for the execution of new projects.

Supermarkets

Labor Law

The retail sector activities of Shufersal are subject to labor laws including the Employment of Workers by Human Resources Subcontractors Law, 5756-1996, the Extension Order in the Matter of Contract Workers in the Cleaning Branch in the Private Sector, the Minimum Wage Law, 5747-1987 and the Increased Enforcement of Labor Laws Law, 5772-2011. As of December 31, 2015, Shufersal employed approximately 1,000 workers, all of which are subject to minimum wage requirements. The majority of Shufersal's employees are parties to a collective bargaining agreement.

The provisions of the Minimum Wage Law (Increase of Minimum Wage - Emergency Provision), 5772 - 2015 and the amendment of the Minimum Wage Law, 5747 – 1987, resulted in an increase in the minimum wage effective as of April 2015 and led to an increase of NIS 43 million in Shufersal's wage expense in 2015 (compared with 2014). In Shufersal's evaluation the increase of the minimum wage in Israel, changes to labor laws in Israel and the increased possibility of organized workers may detrimentally affect the business results of Shufersal and result in higher wage expenses of Shufersal.

Retail and Production

The activities of Shufersal are also subject to consumer protection laws, including the Food Law, the Defective Products Liability Law, 5740-1980, the Consumer Protection Law, 5741-1981, and the Consumer Product and Service Price Supervision Law, 5756-1996 that allows a consumer to institute a class action suit for damages caused to consumers as a whole based on the causes of action set out in that law.

The Public Health Protection (Food) Law, 5776-2015, sets forth quality standards and food safety measures and provides the relevant regulator supervisory and criminal and administrative enforcement powers. The provisions of the Food Protection Law affect production activities of Shufersal, including importation and food marketing activities. Shufersal is continuing the process of implementing procedures to comply with the provisions of the Food Protection Law that apply to its activities. Shufersal also operates pharmacies in certain of its stores, and is therefore subject to the provisions of the Pharmacists Ordinance (New Version), 5741-1981.

Shufersal is involved in manufacturing activities at three owned facilities where it produces principally private-branded baked goods which are subject to compliance with applicable production and quality assurance standards. Shufersal is continuously evaluating compliance of these facilities with the provisions of the Food Protection Law and as of the date of this Annual Report, Shufersal believes its operations comply in all material respects with the applicable provisions of this law.

The retail activities of each Shufersal store requires compliance with the Business License Order (Businesses Requiring a License), 5773-2013, principally providing that they obtain a business operating license for each unit. As of the date of this Annual Report, there are two units that are subject to legal proceedings regarding business licenses that are pending against Shufersal and its directors. Shufersal's operating units are also subject to land development approvals and licensing, substantially all of which are in compliance.

The Food Law and the Anti Trusts Law

The Antitrust Law affects the activities of Shufersal, especially with respect of the possibility of carrying out future acquisitions for which approval is required from the Antitrust Commissioner (the "Commissioner") and the influence on the trade arrangements of Shufersal with its suppliers. The Food Law regulates Shufersal's trade arrangements with its suppliers which are regulated in detail which are designed to promote competition in the food supply industry. As of the date of this Annual Report, Shufersal believes that growth through acquisitions of a significant entity in the retail market would be limited. Moreover, provisions of the Food Law relating to geographical competition of retailers may influence the ability of Shufersal to expand organically through opening new stores in certain areas and under certain circumstances Shufersal may be required to close active branches under certain circumstances.

The Food Law includes the following three systems:

(a) with respect to activities of suppliers and retail trade, the Food Law prohibits:

i. a supplier interfering with the retail price of the products of another supplier;

ii. a retailer interfering with a supplier in the matter of the consumer price imposed by another retailer;

iii. a large supplier imposing its market position to influence the ordering or presentation of retail products within stores of a large retailer (Shufersal is included in the list of large retailers);

iv. a large supplier interfering with the price a retailer charges consumers for the products of that supplier, in the allocation of sales areas at any rate for the products of the supplier, for the acquisition of a product from the supplier in any scope from the total retail purchases of the product and of competing products, and for the purchase or sale of products which another supplier supplies to the retailer, including purchase quantities and goals, the sale area allocated to them in a store and any other commercial condition sought to be imposed;

v. a large retailer and a large supplier agreeing to set the pricing of a basket of products at a price that is lower than the marginal cost of production of the related product or that would require a consumer to purchase a minimum amount of the related product to achieve the reduces price;

vi. a large supplier conditioning the sale of its product to a retailer on the purchase of another product of that large supplier; and

vii. a supplier forwarding payments to the large retailer, unless by way of a price reduction of the product units.

(b) Restrictions on geographical competition of retailers have adversely affected Shufersal's expansion through organic growth and acquisitions. On September 28, 2014 Shufersal received a notification from the Antitrust Authority regarding demand areas of Shufersal's large stores ("Notice of Demand Areas"). The stores that were the subject of the Commissioner's request under the Law are 14 stores located in Haifa, 3 stores in Carmiel, 4 stores in Hadera, and 3 stores in Safed. As of the date of this Annual Report, Shufersal has not been required to close or dispose of any of its stores.

(c) Provisions designed to increase transparency of consumer prices, inter alia, by requiring a large retailer to publish on the internet and without cost to consumers, various data on prices of consumer goods it sells in its stores to allow consumers to compare prices with those of other retailers.

(d) Provisions regarding the contemporaneous application of the Food Law and the Antitrust law - In December 2015, the Commissioner published a statement on the parallel application of the Antitrust Law and the Food Law listing cases in which only the provisions of the Food Law will apply and no additional regulation will be required under the Antitrust Law. As of the date of the notice Shufersal's operations comply with the Food Law. As of December 31, 2015 the implementation of the Food Law has had no significant impact on Shufersal's business.

Shufersal's acquisition of Clubmarket was approved by the Commissioner in 2005, and within this framework the Commissioner imposed a number of limitations on Shufersal's activities including: prohibiting Shufersal from pricing products that result in a loss that is not proportionate to its business activities and are aimed to affect the operations of competitors from the market; prohibiting Shufersal from entering into agreements with suppliers that impose restrictions on those suppliers from doing business with competitors of Shufersal; and prohibiting Shufersal from attempting to influence commercial conditions between its suppliers and competitors.

Shufersal obtained an exemption from the Commissioner, available until October 14, 2018, regarding the operation of the Fourth Chain, which is a label company owned by a number of supermarket chains that was established to develop consumer goods. The Commissioner's decision took into account the fact that Fourth Chain contracted with a third party that develops products for it under a private brand and the stipulated exemption exclusively permits these joint activities for the development of the private brand. Shufersal believes the Fourth Chain private label increases competition by establishing a cost-effective alternative to dominant branded consumer products.

The findings of the Commissioner in the matter of the rules of conduct among the largest store chains and the dominant suppliers in the food supply market, including under the provisions of the Food Law, and in the matter of the merger of Shufersal with Clubmarket, may have a detrimental effect on Shufersal's business, its financial condition and operating results.

Agriculture

a. Operations Development and Licensing. ADAMA manufactures generic crop protection products which require production processes and licensing of existing molecules or processes. The primary development and licensing operation focuses on chemical-engineering development of production processes for new active ingredients and generic products, biological and agricultural testing intended for obtaining licenses, development of licensing information for the active ingredients and solutions that form licensing portfolios for the various regions, development of compounds, streamlining of production processes and development of new and specialized formulations of existing products. Moreover, ADAMA also engages in scientific-technological backup of existing production processes with emphasis on improving quality, efficiency, safety, environmental protection and reducing production costs. Furthermore, ADAMA develops several innovative substances, based on molecules acquired after a screening process, in which their effectiveness is proven. As of the date of this annual report, ADAMA operates research and development (R&D) facilities in Israel, India and Brazil and has started operating on R&D facility in China. In addition to chemical development, ADAMA develops licensed products through third party producers. At times, such development incorporates proprietary know-how and processes owned by ADAMA, as well as those developed jointly with subcontractors, in addition to processes and know-how of Adama's suppliers.

Licensing - at various stages of manufacture and marketing, the substances and products marketed by ADAMA require licensing in each country in which it operates (ADAMA products that are manufactured and sold in Israel require licensing under the Crop Protection Law, 956). ADAMA has seven development and licensing centers in Europe, Israel, Latin America (Brazil), the United States and Asia, and licensing expertise in more than 100 countries. For its foregoing operations, ADAMA employs 170 employees around the world and also works with external contractors. Crop protection products are sold under the control of government authorities in each country (usually ministries of agriculture, health and the environment). The licensing requirements vary from time to time and in general have become more stringent over the years throughout the world, resulting in increased licensing costs and time commitments. The most demanding licensing standards are in the United States, Brazil, Japan and the EU. The rest of the world generally is adapting their requirements to the standards of the more advanced countries. In some countries, the license is not limited in time, but further development of licensing information is required every few years. Some of the countries grant licenses for 7-15 years and renew them at the end of that period subject additional testing Licensing costs and procedures differ from one state to another and may take several years. ADAMA is also required to make modifications to fully adapt any product in a certain country to the specific licensing requirements of that country. ADAMA regularly reviews the compliance of its products with the licensing requirements in the various countries in which they are sold, and adjusts them as needed. Licensing costs usually amount to hundreds of thousands of dollars per product and in some countries, such as the United States, the European Union and Japan, the costs can reach millions of dollars per product. In 2015, ADAMA received 276 new licenses for marketing its products (excluding expansion of labels of permitted products for new crops).

In 2015, ADAMA's licensing expenses amounted to US$93.1 million, with the addition of depreciation the gross amount constitutes 3% of ADAMA's revenue for 2015.

b. Labor Laws. Labor Relations in Israel. Labor relations of most of the employees of ADAMA's subsidiaries are regulated under special collective agreements for limited periods. In addition, some of the employees of ADAMA's subsidiaries in Israel are employed under personal agreements. As part of an agreement executed in 2011 between ADAMA and the Histadrut regarding employees in Israel, ADAMA undertook to carry on production, at the scope and on certain production lines, at the plants of the subsidiaries in Israel through June 1, 2017. In 2015, in addition to the provisions set aside by ADAMA in preceding years with regard to these understandings, ADAMA set aside a provision of US$12 million which is recorded in its financial statements under other expenses.

Labor Relations in Brazil. At two of ADAMA's plants in Brazil, labor relations are subject to a collective bargaining agreement that is renewed every two years, and to the best of ADAMA's knowledge, there has been no major labor unrest in recent years.

As of the date of this annual report, ADAMA believes that it is not dependent upon any of its employees.

c. Environmental Risks and Environmental Regulation

General. ADAMA is exposed to various environmental risks and its operations are subject to extensive environmental regulation, that varies by country where ADAMA operates. In recent years environmental legislation (or in stages of legislation) applicable to ADAMA's operations have become much stricter as supervision and enforcement of these environmental requirements has tightened. ADAMA believes that this trend is expected to continue in the future.

ADAMA holds, as required by law, various permits and licenses such as business licenses, toxins permits and permits for pumping effluents into the sea. To the best of ADAMA's knowledge, of the date of this annual report the permits and licenses applicable to ADAMA with regard to environmental issues are valid.

ADAMA's environmental risk management policy: ADAMA attaches great importance to protecting the environment by accepting social and environmental responsibility and takes necessary measures to comply with the requirements of the law, and seeks to exceed compliance, through continuous dialogue with affected parties, including the authorities and the community.

Environmental Regulation. The key environmental law applicable to ADAMA's operations are, inter alia, the Law for the Prevention of Nuisances, 1961; the Job Safety Ordinance (New Version), 1970; Business Licensing Law, 1968; Water Law, 1959; Law for the Prevention of Sea Pollution from Land-Based Sources, 1988 "Prevention of Sea Pollution"); Hazardous Materials Law, 1993 "Hazardous Materials Law"); Israel Clean Air Law, 2008 ("Clean Air Law") and their regulations.

ADAMA continuously reviews the impact of environmental regulation on its business, acts to prevent or minimize environmental risks and to reduce environmental impacts that could be caused by its operations and invests considerable resources in ensuring compliance with the provisions of the environmental laws and those that may apply to it.

In September 2015, the Ministry of Environmental Protection issued for public comment a memorandum of the Integrated Environmental Licensing Law, 2015. The Memorandum of Law sets out one licensing procedure for businesses that have a substantial impact on the environment, at the end of which the business is granted an integrated environmental license in substitution of various environmental permits and licenses. The Memorandum of Law seeks to update and strengthen legal requirements applicable to, among other things, the use of hazardous substances, treatment of waste, compliance with building and construction laws, sanctions for license violation, etc. In view of the early stage of this legislation, ADAMA is unable to assess whether these obligations will apply to it or as to the scope thereof.

Air Quality. ADAMA's plants are subject to regulation relating to air emissions under the Clean Air Law. ADAMA's plants have duly filed applications for emission permits and some plants have already received valid emission permits or draft emission permits.

In May 2012, ADAMA signed an arbitration agreement with a group of Nir-Galim residents pursuant to which ADAMA agreed to comply with the recommendations of a certified expert to prevent future potential air and odor nuisances and to invest in facilities such as those mentioned above. In September 2015, the expert appointed pursuant to the mediation agreement announced that the mediation outline will be implemented in full by ADAMA and thereby the mediation proceedings came to an end. ADAMA makes substantial investments to minimize and prevent environmental consequences of its operations on air quality.

Effluents and Pumping into the Sea. The Prevention of Sea Pollution Law requires that the Ministry of Environmental Protection issue a permit for pumping wastewater or effluents into the sea. The ADAMA plant in Ashdod has such permit the terms of which have been made more stringent throughout the permit period as part of the general trend adopted by the Ministry.

Land. There are hazardous materials that are stored and located at Adama's plant, as well as infrastructure and facilities, which contain fuels and hazardous materials. ADAMA is dedicated to preventing and treating the pollution of land and water by these materials.

ADAMA's plant in Ashdod has been requested to conduct various land and well surveys for groundwater by the Ministry of the Environment and by the Water Authority. When the surveys were presented, the plant was required to present a program to mitigate environmental risks in accordance with methodology set by the Ministry of the Environment. The plant presented a detailed program to the Water Authority for the treatment of the ground water, which has been accepted in principle by the Water Authority.

The ADAMA plant in Be'er Sheva has been requested by the Ministry of the Environment to conduct an historical land survey and sample tests on ground gases. Sample tests of the ground gases have been conducted in coordination the Ministry of the Environment, and as of the date hereof, the plant has not been required to take any further action in this connection.

Within the context of the integrated environmental regulation process, ADAMA's plant at Neot Hovav has been required to present a historical land survey. The survey was presented to the Ministry of the Environment at the beginning of 2015. At this stage, ADAMA is unable to evaluate whether additional requirements will be placed upon it in relation to surveys or the treatment of land or ground water at its plant, what their substance might be and whether they would have any significant impact on it.

Pollution of the groundwater was discovered in the Neot Hovav Council in the past, following which the Council took various steps to halt the spreading pollution and to extract it, including the treatment and monitoring of the underground water. As the date hereof, ADAMA is not required to incur expenditures in the treatment of the pollution. The possibility exists that the Neot Hovav Council will require ADAMA to contribute to the costs of remediation in the future. However, ADAMA is unable at present to evaluate whether such a demand will be made and what the size of such a demand may be.

Adama's Investments in the Environment. ADAMA's investments in environmental compliance in 2015, amounted to approximately US$21 million (facilities) and approximately US$41 million (routine costs exclusive of depreciation). ADAMA intends to continue to make investments, insofar as may be required and deemed appropriate to exceed these standards on environmental issues, in order to realize its policy of optimizing compliance. In Adama's assessment, in each of the years 2016 – 2018 the total environmental costs are expected to amount to approximately US$60 million.

Adama's plan in Brazil –ADAMA's Brazilian subsidiary has two main plants, located in the South of Brazil. To the best of ADAMA's knowledge, as at the time of this annual report, all of the permits and the licenses are in full force and effect. The Brazilian subsidiary invests in safety and ecological facilities in its plants, including in the performance of independent environmental testing to ensure compliance with the terms of its licenses, control over water sources located near the plant and the monitoring of emissions into the atmosphere, based on advanced technology. Periodic tests on the volume of the emissions into the atmosphere and the water sources show that the Brazilian plants comply with the requirements of the State's Ministry of the Environment. As part of that company's policy for improving ecological processes, it invests in the correction of deficiencies that have been found, changes in production processes, the building of facilities for purifying wastewater, the storage of by-products and recycling.

d. Legislation, standards, regulation and exposure in the environmental field, in health and in safety.

Adama may bear significant civil (including through class actions) or criminal liability (including high fines and/or payments of high amounts of compensation and/or environmental monitoring and rehabilitation costs) in respect of a breach of environmental regulation and failure to comply with health and safety standards including on the basis of strict liability. Even though Adama makes substantial investments in its facilities and in building special facilities in accordance with environmental requirements, it is unable to verify that those investments will be sufficient to satisfy evolving requirements. In addition, Adama is subject lawsuits alleging physical or property damage as a result of exposures to hazardous materials, which are covered for the most part by Adama's insurance policies.

Telecomunnications

Communications Regulations

Cellcom's operations are subject to general legal provisions regulating the relationships and method of contracting with its customers. These provisions include the Consumer Protection Law, 5721-1981 and regulations promulgated thereunder and other laws detailed below. A substantial part of Cellcom's operations are subject to the Communications Law, regulations enacted by the Ministry of Communications, and the provisions of the licenses granted to Cellcom by the Minister of Communications. Cellcom's activies which include providing cellular service, landline, international telephone services and internet access, and infrastructure services are subject to licensing.

Supervision of Rates. The Communications Regulations (Telecommunications and Broadcasts) (Payments for Interconnect), 5760 - 2000 requires cellular operators to phase in gradual reduction of communications rates (i.e. payments that will be made by an in-country operator, another cellular operator or international operator to complete one minute of call time in the network of a cellular operator or for the sending of an SMS between cellular operators). This reduction has led to a considerable reduction in Cellcom's revenues.

Moreover, in August 2013 the Communications Law was amended to authorize the Minister of Communications to set interconnection prices and regulate the use of networks owned by another operator based not only on the cost incurred to establish the network (according to the calculation method to be determined by the Minister of Communication) plus a reasonable profit, but also on one of the following: (1) flat payment for a service provided by the license holder; (2) reference to tariffs charged for a comparable service; or (3) reference to the cost of these services or with the interconnection costs charged in other countries. The Minister of Communications was also empowered to give instructions on structural separation for the providing various services, including segregating services provided by a license holder from services provided to a subscriber.

In the last few years, contract termination charges for cellular plans have been banned in the cellular and other communications markets, other than for customers who have more than a certain number of cellular lines or whose monthly payments exceed a certain amount for bundled service. The elimination of these charges led to a considerable increase in plan cancellations, increased the costs of retaining and acquiring customers, and accelerated erosion of rates.

Virtual Operators (MVNO). The Communications Law and related pronouncements regulate the activities of virtual operators. Notwithstanding that the MVNO regulations apply only to the activities of a virtual operator which has an operating agreement with a cellular operator, the regulations empower the Ministry of Communications together with the Economic Ministry to impose terms of an agreement including fixing the price to be charged for the services provided.

Other Third Generation Operators (UMTS). In 2012, Golan and Hot Mobile began to offer UMTS services. The conditions of the tender according to which Golan and Hot Mobile were granted those licenses included a number of benefits and concessions, including minimally low license fees and a mechanism to reduce the royalties they undertook to pay for the frequencies based on the operator's market share in the private sector and setting long timetables to meet the geographical coverage requirements of the network and the right to use in-country migration services via other cellular operators' networks. The Communications Law obliges the other cellular operators to provide in-country migration services to Golan and Hot Mobile for a period ranging from seven to ten years subject to certain conditions. In 2011, Cellcom entered into a contract with Golan to provide in-country migration services. Hot Mobile entered into a similar in-country migration agreement with Pelephone and later with Partner (which was subsequently replaced by a joint networks agreement with Partner) without intervention from the Ministry of Communications.

Regulation of Multi-Channel Television Services

As at the date of this Annual Report, television program streaming via the Internet is not subject to regulation in Israel. Should the recommendations of the committee for the examination of the arrangement of commercial broadcasts be adopted and the committee requires Cellcom to make additional investments or regulation is imposed that is not beneficial for Cellcom's streamign services or for its ability to use the DTT infrastructures, the results of Cellcom's streaming services may be adversely affected.

Cellcom's Communications Licenses

Cellcom holds a general license for providing cellular services, valid until January 31, 2022, setting out conditions (including duties and restrictions) applicable to its activities, officers and shareholders holding certain percentages of Cellcom's shares. The license may be extended by the Ministry of Communications for consecutive periods of six years, if Cellcom is in compliance with the provisions of the license and law, and makes requisite investments to its service and network. The Ministry of Communications has amended the license conditions in the past, and may amend them in the future, without Cellcom's consent and in a manner that may limit its ability to conduct business. The license provides that Cellcom does not have exclusivity for providing services.

The cellular license can be revoked, suspended or limited in the following cases: total holdings of the founding shareholders or their successors (as defined in the license) is less than 26% of the control shares of Cellcom; total holdings of Israeli parties (as defined in the license), who are among the founding shareholders or their successors, is less than 20% of the total issued share capital and control shares of Cellcom; a majority of directors are not Israeli citizens or residents of Israel; fewer than 20% of the directors of Cellcom were appointed by Israeli parties; any an act or omission of Cellcom that adversely affects or restricts competition in the cellular sector; the aggregate equity of Cellcom, together with the aggregate equity of shareholders each holding 10% or more of the share capital, is less than US$200 million.

In light of the 2015 change in the control structure of IDBD, the Cellcom control structure has also changed, and requires the approval of the Ministry of Communications, including with regard to Israeli holding requirements included in the licenses of Cellcom, as Mr. Eduardo Elsztain is not a citizen of Israel. IDBD and Cellcom formally applied to the Ministry of Communications to approve these changes and amend the telecommunications licenses of Cellcom accordingly. If the request is not approved and another arrangement is not offered by the Ministry of Communications, Cellcom may face sanctions, which under the terms of its license, can include suspension or cancellation of its licenses.

According to Telecommunications Law, the Ministry of Communications may impose on telecommunication companies, including Cellcom, financial sanctions for breach of license and law. The amount of the sanction is calculated as a percentage of the revenue of the operator, and according to the degree of severity and extent of the breach, said may be significant.

In July 2015, Cellcom received (through a wholly owned entity) a uniform and general license for the provision of landline telephony services (which replaced the previous license for providing this service), for the period ending April 2026. A uniform and general license was also awarded to Netvision and replaced its general license for providing internet access services, international carriers, and a network access point for the period ending February 2022. In addition, an entity, fully controlled by Cellcom received a uniform and general license which replaced the landline telephony service license, for the period ending March 2026. These licenses can be extended for an additional period of 10 years, under terms similar to the terms of extension of the general cellular license.

The Ministry of Communications has issued rules providing for unification of all uniform licenses. The uniform license allows providers to also offer virtual operator services. The process of unifying the uniform licenses and the timetable have not yet been determined and it is possible that this process will have a legal, financial, tax and accounting effect on Cellcom's and Netvision's businesses. The provision of a number of services by one entity will require limitations also on discrimination between operators.

Cellcom holds other communications licenses: a special license for the provision of data transmission and communication services in Israel, a license to provide internet services, and licenses to provide cellular services, landline telecommunication services and internet services in the West Bank, for periods ending 2016-2018. These licenses include conditions similar to those of the general license for the provision of cellular services, as noted above.

According to regulations that apply to the uniform license, there are certain limitations on cross ownership among license holders.

2. Further Regulation Applicable to Communications Services

In July 2014, the Ministry of Communications announced a public hearing on the coverage and quality requirements for second-generation and third generation networks. The proposed requirements are stricter than those currently existing and if adopted, could have an adverse effect on the results of Cellcom. Cellcom is unable to assess whether the proposed changes will be adopted, and what the impact of these changes will have in practice on Cellcom's operating results.

In addition, in August 2014, the Ministry of Communications announced a public hearing to consider call centers owned by communications operators. In addition, the Ministry of Communications proposed to amend the Communications Law (Telecommunications and Broadcasting), 1982, providing that a customer may claim pre-set financial compensation if the telephone call center does not reply within an average response time or if there is an overcharge error. Cellcom believes that adoption of these proposed changes could have a material adverse effect on Cellcom's business.

3. Permits for Setting Up Base Sites

a. Cellcom's cellular services genearlly are provided through base sites across Israel, their construction and licensing are included in TAMA 36 (District Zoning Plan) – Part A - National Master Plan for Communications - Small and Micro Broadcasting Facilities ("TAMA 36"), and Radiation Law. Regulating the deployment of wireless access devices, which are base sites with smaller dimensions, are, for the most part, regulated by Communications Law and Radiation Law. The construction of base sites requires a permit as per Planning and Building Law, 1965 ("Planning and Building Law"), and is subject to other approvals from multiple regulators.

Legal proceedings (civil, criminal and administrative) are pending against Cellcom, under which a number of arguments were raised concerning the legal compliance of some of Cellcom's sites, alleging failure to obtain permits under Planning and Building Law, or based on development of sites in contravention of a permit.

Cellcom did not apply for a building permit for approximately 33% of its base sites on the basis of the exemptions for wireless access facilities provided by law. In 2010, the Supreme Court issued a Temporary Order at the request of the Government's Attorney General, enjoining Cellcom, Partner, and Pelephone from proceeding with construction of these facilities on the basis of the exemption. A final determination of the regulatory authorities regarding applications for exemptions is pending as of the date of this Annual Report.

In addition, Cellcom provides in-building repeaters and micro-sites ("femtocells") for its subscribers seeking a solution to poor indoor reception. Based on an opinion Cellcom received from legal counsel, Cellcom did not request building permits for the repeaters that were installed on roof tops, which are a small fraction of all repeaters installed. It is not clear whether the installation of a different type of in-building repeaters and micro-sites requires a building permit. Some require a specific permit while others require a permit from the Ministry of Environmental Protection, depending on their radiation levels. Cellcom also builds and operates microwave facilities as part of its transmission network. The different types of microwave facilities receive permits from the Ministry of Environmental Protection regarding their radiation levels. Based on an opinion of legal counsel, Cellcom believes that building permits are not required for the installation of microwave facilities on rooftops.

b. Indemnification obligation - under Planning and Construction Law, local planning and building committees may demand and receive, as a condition for granting a building permit for a site, a letter of indemnity for claims under Section 197 of Planning and Construction Law. By December 31, 2015, Cellcom had executed approximately 400 letters of indemnity as a condition for receiving permits. In some cases, Cellcom has not yet been built any sites. As at December 31, 2015, two requests for indemnification were received from one local committee on the basis of a letter of indemnity as noted, in an immaterial amount.

As a result of the requirement to deposit letters of indemnity, Cellcom may decide to dismantle or move some sites to less advantageous locations, or build certain sites, if it concludes that the risk of granting letters of indemnity exceeds the benefit derived from those sites, which may result in a deterioration of cellular services and damage network coverage.

c. Radiation Law, Regulations and Permits Thereunder - Radiation Law, Regulations and Principles thereunder included provisions relating to all aspects related to regulating the issue of non-ionizing radiation, including, inter alia, levels of exposure that are permissible.

In May 2012, the Ministries of Communications, Health and Environmental Protection, based on their assessment of the potential health consequences of fourth-generation telecommunications services in Israel, including increased exposure to non-ionizing radiation, issued a memorandum advising that deployment of the fourth-generation network should be based on existing base stations, other smaller base sites both internal and external, and if possible, using the wired infrastructure so that data traffic will be carried mainly through fixed communication lines and not through any cellular infrastructure. In August 2014, the Ministry of Communications allowed the use of fourth-generation infrastructures, and in January 2015 fourth-generation frequencies were awarded to cellular operators. The recommendations of May 2012, as noted, were not included in the tender documents or in said approval.

4.
The Reduced Centralization Act

Given the holding structure of the I.D.B. Group, Cellcom is considered in the “third layer”. Cellcom is included in the list of centralized parties, and in the list of significant non-financial corporations under said Law. According to said Law, DIC and IDBD must take steps to have Cellcom cease to be a “third layer” by December 2019. DIC and IDBD have announced that they are considering steps to achieve this goal without giving up control of Cellcom, by taking DIC or IDBD private or implementing a merger of DIC and IDBD. As of the date of this Annual Report, there is no certainty regarding the implementation of these strategies. The provisions of the Reduced Centralization Act regarding the allocation of rights over public assets could adversely affect the ability of Cellcom to renew its cellular licenses and to receive new frequencies, which may adversely affect Cellcom’s ability to issue debt or adversely affect its business.

a. Changes in legislation and high regulatory intervention - legislative changes and active regulatory enforcement may have an adverse influence especially if material financial sanctions are imposed on Cellcom, on the ability of Cellcom to plan its management and on its operating results, if any of the following occurs: the cancelation or relief for the obligation for structural separation applicable to Bezeq and Hot, especially if the said cancelation or easing is given prior to the establishment of the effective wholesale market in landline communications, if tariffs do not encourage competition or if other regulation is set out in the wholesale landline market which adversely affects Cellcom’s operations; the granting of relief and benefits to competitors compared with Cellcom; the authorization of other operators to provide services to Cellcom subscribers which were previously provided only by Cellcom; the non-renewal of licenses and/or frequencies available to Cellcom or the increased use thereof, and the non-location of additional frequencies, where required; the imposition of additional requirements in respect of public safety or health, including with respect to base sites; imposition of additional restrictions or requirements for providing services and products and/or intervening in market conditions; imposition of a higher standard of service; imposition of stricter privacy policies; the imposition of regulation on streaming services, the imposition of conditions which are not beneficial for the users of DTT broadcasts, or the imposition of conditions that impact Cellcom and do not apply to other operators of streaming services over the internet.

b. Labor Law. In February 2015, a collective bargaining agreement was signed with the workers representative body and with the Histadrut for a period of three years (form 2015 to 2017) which applies to all employees of Cellcom and

Netvision, except members of senior management. This agreements limits the right of Cellcom to make organizational and personal changes and makes such changes more expensive as reflected in the voluntary retirement plans executed in 2014 and 2015 and may also require greater management attention to administer.

Insurance

Areas of Activity of Clal Insurance Business Holdings

Clal Holdings offers general insurance such as car insurance, homeowners' insurance, and credit and foreign trade risk insurance, among others, as well as health insurance. The activities of Clal Holdings and its subsidiaries are subject to the provisions of laws applicable insurance companies and to regulatory supervision. Clal Holdings' subsidiaries are supervised by the Capital Markets, Insurance and Savings Commissioner (the "Insurance Commissioner"). Clal Insurance and its subsidiary, Clalbit Financing, are supervised by the Israel Securities Authority. Subsidiaries of the Clal Holdings Insurance Group have been subject to administrative enforcement proceedings and the imposition of fines. Clal Insurance is not in breach of any material regulatory provision applicable to its operations.

Capital Requirements of Insurance Companies

Minimum Capital – The Supervision of Financial Services (Insurance) (Minimum Equity Required of an Insurer), Regulations, 1998 ("Capital Regulations") law prescribes minimum capital requirements for insurance companies. The capital required for insurance activities consists of a first layer of capital, based the greater of the initial capital and capital derived from the volume of activity in general insurance, the higher of the calculation based on premiums and the calculation based on outstanding claims, as well as other capital requirements. Failure to comply with the Capital Regulations will require the insurer to increase its equity up to the amount stated in the Capital Regulations or reduce the scope of its business accordingly, no later than the date of publication of the report, except in exceptional circumstances as approved by the Insurance Commissioner, that will then determine any supplementary capital requirements.

Breakdown of an Insurer's Capital – The Insurance Commissioner issued a circular in August 2011 ("Circular") that provides a framework for determining the composition of an insurer's equity, in conjunction with the adoption in Israel of the Solvency II Directive ("Directive" or "Solvency II"), as amended and updated.

· Initial (core) capital (basic tier 1), equals the components included in capital attributable to shareholders of Clal Insurance. The overall capital ratio must be at least 60% of the total equity of the insurer.

· Secondary (tier 2) capital includes complex secondary capital instruments (excluding periodic accrued interest payments), subordinate secondary capital instruments (as defined by the Circular) and any other component or instrument approved by the Insurance Commissioner. A complex secondary capital instruments is one that is subordinated to any other instrument, except for initial capital, including financial instruments available to absorb losses by postponing payment of principal and interest. The first repayment date of secondary capital instruments will be after the end of the period that reflects the weighted average maturity of insurance liabilities, plus two years, or after 20 years, whichever is first, but no earlier than eight years from the date an instrument is issued. If the complex secondary capital instrument includes an incentive for early redemption, the first incentive payment date may not be earlier than five years from the date of issue of the instrument.

· Tertiary (tier 3) capital includes complex tertiary capital instruments (excluding periodic accrued interest payments) and any other component or instrument approved by the Insurance Commissioner. A tertiary capital instrument is subordinate to any other instrument, except for primary and secondary capital, and includes financial instruments available to absorb the insurer's losses by postponing the payment of principal. Tertiary capital will must be junior to secondary capital and equal in the order of credit repayments. The first repayment date on tertiary capital instruments may not be earlier than five years from the date of issuance. If the complex tertiary capital instrument includes an incentive for early redemption, the first indentive payment date may not be earlier than five years from the date of issue of the instrument. Tertiary capital may not exceed 15% of the total capital of the insurer.

Insurance liabilities include liabilities that are not yield dependent but excludes any liability fully backed by lifetime indexed bonds and net of any reinsurance costs. Approval of the Insurance Commissioner is required for inclusion of hybrid capital instruments (primary, secondary or tertiary) in equity. The Circular includes a Temporary Order regarding the breakdown of an insurer's equity ("Temporary Order"), which will apply until full implementation of the Directive in Israel, when announced by the Insurance Commissioner. The Temporary Order defines the secondary capital issued according to Capital Regulations, before amendment, as subordinate secondary capital and imposes a limit equal to 50% of basic capital.

Distribution of dividends – In accordance with rules promulgated by the Insurance Commissioner, a dividend distribution may not be approved, unless, after giving pro forma effect to the proposed distribution, the insurer has a ratio of recognized equity to required equity of at least 105%, as confirmed in filings with the Insurance Commissioner. Prior approval of the Insurance Commissioner is not required for any distribution of dividends if the total equity of the insurance company, as defined by Supervision of Financial Services (Insurance) (Minimum Equity Required of an Insurer), Regulations, 1998 ("Minimum Capital Regulations"), after giving effect to the distribution of the proposed dividend, exceeds 115% of the required equity.

In November 2014, the Insurance Commissioner outlined solvency rules ("rules" or "regime", as applicable) based on Solvency II, in Israel, in a letter addressed to managers of the insurance companies ("Letter"). In the Letter, the Insurance Commissioner outlined a plan to adopt the 2016 European model for calculating capital and capital requirements for the local market, effective as of the annual reports for 2016 ("First Adoption Date"). During a period to be determined by the Insurance Commissioner and as conditions require, insurance companies will also be required to comply with capital requirements under existing regulations. The Letter stated that until final adoption, insurance companies must prepare additional quantitative assessment exercises (IQIS) for the 2014 -2015 period. These requirements are intended to assess the quantitative effects of adopting the model, as well as providing data for calibrating and adjusting the model. In addition, the Letter addressed an initiative to develop a framework for quarterly reporting of insurance companies' solvency ratio. The Letter also referred to the Commissioner's intention to publish provisions for managing capital and targets for internal capital, to address a gap survey that insurers will undertake with respect to their risk management systems, controls and corporate governance and a consultation paper to promote the process of self-assessment of risks and solvency (ORSA).

In April 2015, the Insurance Commissioner published a second letter titled "Plan for the Adoption of Rules for Solvency, based on Solvency II" and provisions for the IQIS4 exercises to be undertaken regarding the 2014 historical financial statements. The letter emphasized that the exercise reflects the decision of the Insurance Commissioner to impose adjustments required for the Israeli insurance market. The Letter further stated in connection with the proposed adoption of IQIS5 that the Insurance Commissioner would continue to monitor developments in the European markets and would consider adjustments relevant for Israel.

In July 2015, the Insurance Commissioner issued a letter concerning "transitional provisions regarding the application of solvency rules, based on Solvency II" (the "Letter on Transitional Provisions"). The transitional provisions were provided by reference to certain solvency rules set forth in the European Directive relating to, inter alia, a gradual adoption of capital requirements in respect of holdings of equity shares which may a component to be included in the calculation of core capital. In addition, the letter included transitional provisions regarding submission of a plan to improve the capital ratios of insurance companies whose ratios are negatively affected following adoption of the new solvency rules beginning with the financial statements for 2018. Adoption of the solvency rules are expected to change both the recognized regulatory and required regulatory capital and according to indications existing today, is expected to result in a significant decline in the ratio between recognized capital and required capital of Clal Insurance compared to capital ratios calculated according to capital ratio requirements currently in effect, and is expected to adversely affect the ability of Clal Insurance and Clal Insurance Enterprises to distribute dividends upon such adoption. However, as a rule, the capital requirements under the solvency rule are intended to serve as a capital cushion against more serious events, with a lower loss probability than the capital requirements under current rules.

In May 2015, the Board of Directors of Clal Insurance Enterprises and the Board of Directors of Clal Insurance directed its management team and the Risk Management Committee, which also functions as the Solvency Committee (“Committee”), to examine measures Clal Insurance may be able to employ to improve its capital ratio, in accordance with the new solvency rules and to recommend a course of action to the Board, including in relation to business adjustments and/or financial transactions related to Clal Insurance’s capital, its breakdown, and/or its responsibilities. The Committee and Management have begun this examination, and during the first stage, recommended that the Board issue secondary capital instruments. The Committee will continue to examine other measures in an effort to prepare the company for possible adoption of these proposed capital requirements, and related measures.

Clal Insurance has calculated its capital ratio using results as of December 31, 2014 (“Calculation Date”) and based on the IQIS4 rules and has determined that it would be in compliance, as of the Calculation Date, with the proposed capital requirements, in the context of the transitional provisions, even before taking pro forma account of the positive impact on the capital ratio provided by the subsequent issuance of subordinated notes. The related calculations were submitted to the Insurance Commissioner on August 31, 2015. The Insurance Commissioner has not yet published binding provisions for adoption, and there is uncertainty regarding the details of the final provisions. Clal Insurance will continue to monitor the quantitative aspects of the proposed solvency rules towards final adoption, in an effort to anticipate requisite controls and capital requirements.

On March 14, 2016, “IQIS Provisions for 2015” (“Draft”) was published in preparation for the adoption of Solvency II. Insurance companies are required to submit an additional quantitative evaluation survey on the basis of December 2015 results (“IQIS5”), by June 30, 2016. The Draft was issued by reference to the European legislation adapted for requirements of the local market and that goes beyond provisions for quantitative evaluation surveys previously issued. The main changes relate to establishing risk-free interest curves, through extrapolation to the ultimate forward rate point, the components of recognized capital, capital requirements less investments in infrastructure (capital and debt), adjusting capital requirements for management companies, and updating the formula for calculating capital requirements for risk premiums and reserves for general insurance. Clal Insurance is unable to assess the overall impact of the changes based on the provisions in the Draft to carry out a further quantitative evaluation survey, and will carry out an assessment of the current capital status, when the binding provisions will be finalized. According to the Draft, the IQIS5 calculation will be a factor in assessing preparedness of insurance companies and to the implementation and scope of the final provisions to be adopted.

Capital requirements under the Capital Regulations are based on the separate individual financial statements of an insurance company. For purposes of calculating recognized capital, an investment by an insurance company in an insurance company or a controlled management company, and in other investee companies will be calculated on the equity basis, according to a holding rate, which includes indirect holdings.

The minimum capital required of Clal Insurance has been reduced, with approval of the Insurance Commissioner, by 35% of the original difference attributed to the managing companies and provident funds under its control. However, when calculating the amount of dividends permitted for distribution, this difference will be added at level of the capital structure, as detailed in Paragraph 13.7.3 (C). In September 2013, the Insurance Commissioner notified Clal Insurance that the deducted amount to be added back to the minimum capital required, will be after a deduction for a tax reserve accrued by Clal Insurance following the acquisition of provident fund operations. The approval of the Insurance Commissioner, as noted above, will be canceled with adoption of capital requirements under the Directive (see Paragraph 13.7.3 (C)) that will replace the Capital Regulations.

In March 2013, Clal Insurance received a letter from the Insurance Commissioner regarding the determination of credit ratings according to an internal model used by Clal Insurance ("internal model"), to be applied as a risk rating methodology for a subject insured, according to conditions of the relevant sector. The Insurance Commissioner authorized Clal Insurance to allocate capital for adjusted loans, ranked according to its internal model and with reference to the rates specified in the Capital Regulations. If there is an external rating available, the capital allocation will be made using the lower of the available ratings. The letter also requires Clal Insurance to submit immediate and periodic reports as specified regarding these activities that make the specified transactions subject to review by the Commissioner of Insurance. As a result of its compliance with the provisions of the letter, Clal Insurance's capital requirements were reduced by NIS 69 million, as at the end of the reporting period.

Permit Issued by the Insurance Commissioner to the Former Controlling Shareholders of IDB Holdings to Retain Control of Clal Insurance Enterprises and Consolidated Institutional Entities

On May 8, 2014, legal counsel for the former controlling shareholders of IDB Development (Ganden, Manor, and Livnat Groups) was notified by the Commissioner that in the context of arrangements among the creditors of IDB Holdings ("IDBH"), and given that they no longer controlled the Clal Insurance Enterprises Group, the authorization previously issued by the Insurance Commissioner for control of these entities was terminated, including, with respect to Clal Insurance, Clal Credit Insurance and Clal Pension and Provident Funds. IDB Holdings undertook to supplement (or to cause its controlled affiliates to supplement) the required equity of the insurers in compliance with the Capital Regulations, subject to the a cap of 50% of the required capital of an insurer, and that the obligation will take effect only if the insurer's equity is determined to be negative, and such funding amount will then be equal to the amount of negative capital, up to the 50% cap.

In addition, IDB Holdings undertook to contribute to the equity of Clal Pension and Provident Funds up to the amount prescribed by the Provident Fund Regulations, for as long as IDB Holdings is the controlling shareholder of the institutional entities. The authorization specifies conditions and imposes restrictions on the ability of a holding entity to impose liens on the equity of IDBD's institutional entities it holds. The former controlling shareholders were also required, as long as any liens existed on their equity interest of IDB Holdings, to ensure that Clal Insurance Enterprises complied with applicable capital requirements, such that the equity of Clal Insurance Enterprises at no time was less than the product of the holding rate of Clal Insurance Enterprises in Clal Insurance and 140% of the required minimum equity of Clal Insurance, calculated according to the Capital Regulations on September 30, 2005 (as the holding rate was linked to the CPI of September 2005).

At the end of the reporting period, the required minimum capital of Clal Insurance Enterprises was NIS 2.9 billion, greater that the amount required based on the foregoing calculation. The capital requirement is calculated on the basis of the financial statements of Clal Insurance Enterprises. Following termination of the control authorization, the former controlling shareholders have questioned whether the capital requirements applicable to Clal Insurance Enterprises thereunder continue to apply.

Clal Insurance is committed to finding a strategy to supplement its required equity in compliance with the Capital Regulations if the equity of Clal Credit Insurance becomes negative, and as long as Clal Insurance is the controlling shareholder of Clal Credit Insurance. Clal Insurance is committed to supplement the equity of Clal Pension and Provident Funds as necessary to ensure it complies with the minimum amount required by Income Tax Regulations (Rules for Approval and Management of Provident Funds), 1964 ("Income Tax Regulations"). This commitment is valid as long as Clal Insurance controls, directly or indirectly, Clal Pension and Provident Funds.

In February 2012, Supervision of Financial Services Regulations (Provident Funds) (Minimum Capital Required of a Management Company of a Provident Fund or Pension Fund), 2012, was published along with Income Tax Regulations (Rules for Approval and Management of Provident Funds) (Amendment 2), 2012 ("new regulations").

Pursuant to the new regulations, the capital requirements for management companies were expanded to include capital requirements based on the volume of assets under management and applicable annual expenses, but not less than the initial capital of NIS 10 million. In addition, liquidity requirements were also prescribed. A fund management company may distribute dividends only to the extent of any excess above the minimum amount of equity required by said regulations. In addition, a fund management company must provide additional capital in respect of controlled management companies. As at the end of the reporting period, the management companies controlled by Clal Insurance have capital balances in excess of the minimum capital required by the capital regulations for management companies. In light of capital regulations for management companies and in order to finance the expansion of operating and investing activities of Clal Pension and Provident Funds, the Boards of Directors of Clal Insurance and Clal Pension and Provident Funds in 2015 and 2014 approved an subscribed shares of Clal Pension and Provident Funds in consideration for NIS 100 million and NIS 80 million, respectively.

Anti-Money Laundering. In September 2015, a draft Anti-Money Laundering Order was proposed which seeks to expand its application to certain provident funds, and reduced the amounts of accumulations, deposits and withdrawals subject to reporting. Furthermore, the draft order specifies a ‘know your customer’ process that must be undertaken before issuing a life insurance policy or opening a provident fund. In October 2015, a draft addendum to the Anti-Money Laundering Law, 5776-2015 was published to provide for changes to existing law that set forth stricter criminal penalties under the Anti-Money Laundering Law and set forth provisions for sharing of information between the Anti-Money Laundering Authority and the insurance commissioner. In the evaluation of Clal Insurance, the draft order and draft bill may adversely affect the sale of its products.

C. ORGANIZATIONAL STRUCTURE

Subsidiaries and associated companies

The following table includes a description of our subsidiaries and associated companies as of June 30, 2016:

Subsidiaries	Effective Ownership and Voting Power Percentage	Property/Activity
Agro Managers S.A	46.84%	Agro Managers S.A. is engaged in doing by itself or on behalf of third parties investments in the country or overseas through long and short term loans with or without warranties, derivatives, stocks and commodities as well as any kind of debentures or credit notes.
Agro-Uranga S.A	35.72%	Agro-Uranga S.A. is an agricultural company which owns 2 farmlands (Las Playas and San Nicolás) that have 8.299 hectares on the state of Santa Fe and Córdoba.
Brasilagro Companhia Brasileira de Propiedades Agrícolas	39.76%(1)	Brasilagro is mainly involved in four productive activities: sugarcane, crops and cotton, forestry activities, and livestock.
Doneldon	100%	Doneldon S.A. is involved in investments in entities organized in Uruguay or abroad through the purchase and sale of bonds, shares, debentures and any kind of securities and commercial paper under any of the systems or forms created or to be created, and in the management and administration of the capital stock it owns on companies controlled by it.
Futuros y Opciones.Com S.A.	59.59%	A leading agricultural web site which provides information about markets and services of economic and financial consulting through the Internet. The company has begun to expand the range of commercial services offered to the agricultural sector by developing direct sales of supplies, crops brokerage services and cattle operations.
Agrofy S.A.	45.23%	Agrofy S.A. is involved in the creation, operation, development, management, buying and selling of websites and domain names on the Internet.
Amauta Agro S.A.	59,63%	Amauta Agro S.A.'s purpose is to engage, in its own name or on behalf of or associated with third parties, in activities related to the production of agricultural products and raw materials, export and import of agricultural products and national and international purchases and sales of agricultural products and raw materials.
Granos Olavarria S.A.	59,63%(2)	

		Granos Olavarría S.A. is principally engaged to the warehousing of cereals and brokering of grains.
Helmir S.A.	100%	Helmir S.A. is involved in investments in entities organized in Uruguay or abroad through the purchase and sale of bonds, shares, debentures and any kind of securities and commercial paper under any of the systems or forms created or to be created, and to the management and administration of the capital stock it owns on companies controlled by it.
IRSA Inversiones y Representaciones Sociedad Anónima	63.77%(1)	IRSA is a leading Argentine company devoted to the development and management of real estate.
Sociedad Anónima Carnes Pampeanas S.A. (formerly known as Exportaciones Agroindustriales Argentinas S.A.)	100%(3)	Sociedad Anónima Carnes Pampeanas, a company that owns a cold storage plant in Santa Rosa, Province of La Pampa, with capacity to slaughter and process approximately 9,500 cattle head per month.

(1) Excludes effect of treasury stock.
(2) Includes Futuros y Opciones.Com S.A.'s interest.
(3) Includes Helmir's interest.

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D. PROPERTY, PLANTS AND EQUIPMENT

Overview of Agricultural Properties

As of June 30, 2016, we owned, together with our subsidiaries, 31 farmlands, which have a total surface area of 622,220 hectares.

The following table sets forth our properties' size (in hectares), primary current use and book value. The market value of farmland is generally higher the closer a farmland is located to Buenos Aires:

Owned Farmlands as of June 30, 2016

	Facility	Province	Country	Gross Size (in hectares)	Date of Acquisition	Primary Current Use	Net Book Value (Ps. Millions) (1)
1	El Recreo	Catamarca	Argentina	12,395	May 95	Natural woodlands	1.3
2	Los Pozos	Salta	Argentina	239,639	May '95	Cattle/ Agriculture/ Natural woodlands	152.6
3/4	San Nicolás/Las Playas (2)	Santa Fe/Córdoba	Argentina	2,966	May '97	Agriculture/ Dairy	19.4
5/6	La Gramilla/ Santa Bárbara	San Luis	Argentina	7,072	Nov '97	Agriculture Under irrigation	44.9
7	La Suiza	Chaco	Argentina	36,380	Jun '98	Agriculture/ Cattle	43.7
8	La Esmeralda	Santa Fe	Argentina	9,370	Jun '98	Agriculture/ Cattle	16.3
9	El Tigre	La Pampa	Argentina	8,360	Apr '03	Agriculture/ Dairy	34.2
10	El Invierno	La Pampa	Argentina	1,946	Jun '05	Agriculture	9.2
11	San Pedro	Entre Rios	Argentina	6,022	Sep '05	Agriculture	49.0
12/13	8 De Julio/ Estancia Carmen	Santa Cruz	Argentina	100,911	May '07/ Sep '08	Sheep	11.0
14	Administración Cactus	San Luis	Argentina	171	Dec '97	Natural woodlands	1.5
15	Las Vertientes	Cordoba	Argentina	4	-	Silo	0.7
16	La Esperanza	La Pampa	Argentina	980	Mar '08	Agriculture	4.3
17	Finca Mendoza	Mendoza	Argentina	389(5)	Mar '11	Natural woodlands	0.1
18	Establecimiento Mendoza	Mendoza	Argentina	9	Nov'03	Natural woodlands	6.8
19/20/21/22	Las Londras/San Rafael/ Cuatro Vientos/	Santa Cruz	Bolivia	12,533	Nov-08/Jan-11	Agriculture	470.3

	La Primavera						
23/24/25	Jeroviá/Marangatú/Udra (3)	Mariscal Estigarribia	Paraguay	58,754	Feb-09	Agriculture /Natural Woodlands	244.0
26/31	Brasilagro(4)		Brazil	124,319		Agriculture/ Forestry/Cattle	1,185.1
	Subtotal			622,220			2,294.6

(1) Acquisition costs plus improvements and furniture necessary for the production, less depreciation.
(2) Hectares and carrying amount in proportion to our 35.72% interest in Agro-Uranga S.A.
(3) Hectares and carrying amount in proportion to our 50.00% interest in Cresca through Brasilagro.
(4) See the section "Overview of Brasilagro's Properties".
(5) Corresponds to our 40% ownership of Establecimiento Mendoza.

Overview of Brasilagro's Properties

As of June 30, 2016, we owned, together with our subsidiaries, 6 farmlands, which have a total surface area of 124,319 hectares, acquired at a highly convenient value compared to the average of the region, all of them with a great appreciation potential.

Properties	Place	Total Area (ha)	Use	Net Book Value (Ps. Millions)
Jatobá Farmland	Jaborandi/BA	31,606	Agriculture	263.1
Alto Taquari Farmland	Alto Taquari/MT	5,395	Agriculture	144.6
Araucária Farmland	Mineiros/GO	8,124	Agriculture	237.4
Chaparral Farmland	Correntina/BA	37,183	Agriculture	322.9
Nova Buriti Farmland	Januária/MG	24,212	Forestry	89.6
Preferência Farmland	Barreiras/BA	17,799	Cattle	127.5
	Subtotal Brazil	124,319		1,185.1
Jeroviá/Marangatú/Udra	Mariscal Estigarribia, Paraguay	58,754	Agriculture /Natural Woodlands	244.0
	Total	183,073		1,129.1

In the ordinary course of business, the leases property or spaces for administrative or commercial use both in Argentina and Israel under operating lease arrangements. The agreements entered into include several clauses, including but not limited, to fixed, variable or adjustable payments.

Overview of Urban properties and investment business

As of June 30, 2016, most of our property was located in Argentina. We lease our headquarters, located at Bolívar 108, (C1066AAB) Ciudad Autónoma de Buenos Aires. We do not currently lease any material properties other than our headquarters.

The following table sets forth certain information about our properties in Argentina as of June 30, 2016:

Property (6)	Date of Acquisition	Leasable/ Sale m2 (1)	Location	Net Book Value Ps.(2)	Encumbrance	Outstanding principal amount Ps./000	Maturity Date	Balance due at maturity Ps./000	Rate	Use	Occupancy rate (7)
Edificio República	Apr-08	19,885	City of Buenos Aires	189	-	-	-	-	-	Office Rental	100.0%
Torre Bankboston	Aug-07	14,873	City of Buenos Aires	134	-	-	-	-	-	Office Rental	100.0%
Bouchard 551	Mar-07	-	City of Buenos Aires	8	-	-	-	-	-	Office Rental	-
Intercontinental Plaza	Nov-97	6,569	City of Buenos Aires	10	-	-	-	-	-	Office Rental	100.0%
Bouchard 710	Jun-05	15,014	City of Buenos Aires	60	-	-	-	-	-	Office Rental	100.0%
Dique IV	Dec-97	-	City of Buenos Aires	-	-	-	-	-	-	Office Rental	-
Maipú 1300	Sep-95	1,353	City of Buenos Aires	5	-	-	-	-	-	Office Rental	100.0%
Libertador 498	Dec-95	620	City of Buenos Aires	3	-	-	-	-	-	Office Rental	100.0%
Suipacha 652/64	Nov-91	11,465	City of Buenos Aires	8	-	-	-	-	-	Office Rental	90.7%
Dot Building	Nov-06	11,242	City of Buenos Aires	122	-	-	-	-	-	Office Rental	100.0%
Santa María del Plata	Oct-97	106,610	City of Buenos Aires	13	-	-	-	-	-	Other Rentals	100.0%
Nobleza Picardo	May-11	109,610	City of Buenos Aires	7	-	-	-	-	-	Office Rental	74.8%
Other Properties(5)	N/A	38,646	N/A	266	-	-	-	-	-	Other Rentals	42.8%
Abasto(3)	Jul-94	36,737.6	City of Buenos Aires,	245	-	-	-	-	-	Shopping Center	99.8%

Alto Palermo(3)	Nov-97	18,966.0	City of Buenos Aires, Argentina	208	-	-	-	-	-	Shopping Center	99.6%
Alto Avellaneda(3)	Dec-97	35,887.0	Province of Buenos Aires, Argentina	127	-	-	-	-	-	Shopping Center	100.0%
Alcorta Shopping(3)	Jun-97	15,876.7	City of Buenos Aires, Argentina	116	-	-	-	-	-	Shopping Center	89.1%
Patio Bullrich(3)	Oct-98	11,782.7	City of Buenos Aires, Argentina	109	-	-	-	-	-	Shopping Center	99.1%
Alto Noa(3)	Mar-95	19,039.9	City of Salta, Argentina	32	-	-	-	-	-	Shopping Center	100.0%
Buenos Aires Design(3)	Nov-97	13,903.1	City of Buenos Aires, Argentina	7	-	-	-	-	-	Shopping Center	95.7%
Mendoza Plaza(3)	Dec-94	42,043.0	Mendoza, Argentina	92	-	-	-	-	-	Shopping Center	95.2%
Alto Rosario (3)	Nov-04	28,795.5	Santa Fe, Argentina	127	-	-	-	-	-	Shopping Center	100.0%
Córdoba Shopping –Villa Cabrera(3)	Dec-06	15,581.7	Córdoba, Argentina	53	Anticresis	3,2	Jan-17	17,7	Libor+1,5%+CER	Shopping Center	99.2%

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Dot Baires Shopping(3)	May-09	49,640.7	City of Buenos Aires, Argentina	368	-	-	-		-	Shopping Center	100.0%
Soleil Premium Outlet(3)	Jul-10	13,991.1	Province of Buenos Aires, Argentina	80	-	-	-	-	-	Shopping Center	100.0%
La Ribera Shopping(3)	Aug-11	9,850.6	Santa Fe, Argentina	24	-	-	-	-	-	Shopping Center	99.3%
Distrito Arcos (3)	Dec-14	11,170.1	City of Buenos Aires, Argentina	280	-	-	-	-	-	Shopping Center	97.0%
Alto Comahue(3)	Mar-15	9,889.6	Neuquén, Argentina	318	-	-	-	-	-	Shopping Center	96.6%
Patio Olmos(3)	-	-	-	26	-	-	-	-	-	Shopping Center	-
Caballito Plot of Land	Nov-97	23,791	City of Buenos Aires	45,812	-	-	-	-	-	Land Reserve	N/A
Other Land Reserves (4)	N/A	6,126,022	City and Province of Buenos Aires.	5,508	-	-	-	-	-	Land Reserve	N/A
Luján (3)	May-12	1,160,000	Province of Buenos Aires.	41,861	-	-	-	-	-	Land Reserve	N/A
Intercontinental	Nov-97	24,000	City of Buenos Aires	51	-	-	-	-	-	Hotel	70.58%
Sheraton Libertador	Mar-98	37,600	City of Buenos Aires	28	-	-	-	-	-	Hotel	73.42%
Llao Llao(9)	Jun-97	17,463	City of Bariloche	77	-	-	-	-	-	Hotel	51.15%

(1) Total leasable area for each property. Excludes common areas and parking spaces.
(2) Cost of acquisition or development plus improvements, less accumulated depreciation, less allowances.
(3) Through IRSA Commercial Properties.

(4) Includes the following land reserves: Pontevedra plot; Mariano Acosta, San Luis and Merlo (through IRSA) and Intercontinental Plot (through IRSA Commercial Properties) .

(5) Includes the following properties: Anchorena 665, Zelaya 3102, 3103 y 3105, Rivadavia 2768, Constitución 1111, Santa Maria del Plata, Puerto Retiro Plots 50%, Rio Parcel 50%, Libertador Parcel 50%.
(6) All assets are owned by us or through any our subsidiary.
(7) Percentage of occupation of each property. The land reserves are assets that the company remains in the portfolio for future development.
(8) Intern information of the Company.
(9) Includes Ps. 21,900 thousand of Book Value that corresponds to “Terreno Bariloche.”

The following table sets forth certain information about our properties for the Operation Center in Israel as of June 30, 2016:

Property	Date of acquisition	Location	Net book amount	Use
Tivoli	Oct-2015	United States	2,047	Rental properties
Kiryat Ono Mall	Oct-2015	Israel	1,598	Rental properties
Shopping Center Modi’in A	Oct-2015	Israel	805	Rental properties
HSBC	Oct-2015	United States	11,225	Rental properties
Matam park - Haifa	Oct-2015	Israel	5,662	Rental properties
Caesarea - Maichaley Carmel	Oct-2015	Israel	583	Rental properties

Herzeliya North	Oct-2015	Israel	4,125	Rental properties
Gav-Yam Center - Herzeliya	Oct-2015	Israel	2,449	Rental properties
Neyar Hadera Modi’in	Oct-2015	Israel	680	Rental properties
Gav yam park - Beer Sheva	Oct-2015	Israel	700	Rental properties
Hazomet Kfar Saba	Oct-2015	Israel	117	Rental properties
Bilu	Oct-2015	Israel	86	Rental properties
Mazkeret Batia	Oct-2015	Israel	109	Rental properties
Netania	Oct-2015	Israel	849	Rental properties
Rishon Le Zion	Oct-2015	Israel	70	Rental properties
Rehovot	Oct-2015	Israel	125	Rental properties
Mizpe Sapir	Oct-2015	Israel	124	Rental properties
Holon	Oct-2015	Israel	327	Rental properties
Haifa	Oct-2015	Israel	24	Rental properties
Others	Oct-2015	Israel	8,759	Rental properties
Tivoli	Oct-2015	United States	24	Undeveloped parcels of land
Queensridge Towers	Oct-2015	Israel	266	Undeveloped parcels of land
Zarchini Raanana	Oct-2015	Israel	78	Undeveloped parcels of land
Kurdani	Oct-2015	Israel	-	Undeveloped parcels of land
Others	Oct-2015	Israel	1,777	Undeveloped parcels of land
Tivoli	Oct-2015	United States	1,981	Properties under development
Ispro Planet – Beer Sheva – Phase 1	Oct-2015	Israel	1,062	Properties under development
Others	Oct-2015	Israel	880	Properties under development
Shufersal´s Stores	Oct-2015	Israel	10,478	Supermarkets
Total			57,010	

Insurance

Agricultural Business

We carry insurance policies with insurance companies that we consider to be financially sound. We employ multi-risk insurance for our farming facilities and industrial properties, which covers property damage, negligence liability, fire, falls, collapse, lightning and gas explosion, electrical and water damages, theft, and business interruption. Such insurance policies have specifications, limits and deductibles which we believe are customary. Nevertheless, they do not cover damages to our crops. We carry directors and officer's insurance covering management's civil liability, as well as legally mandated insurance, including employee personal injury. We also provide life or disability insurance for our employees as benefits.

We believe our insurance policies are adequate to protect us against the risks for which we are covered. Nevertheless, some potential losses are not covered by insurance and certain kinds of insurance coverage may become prohibitively expensive.

The types of insurance used by us are the following:

Insured Property	Risk Covered	Amount Insured (in Millions of Ps.)	Book Value (in Millions of Ps.)
Buildings, machinery, silos, installation and furniture and equipment	Theft, fire and technical insurance	517	490
Vehicles	Theft, fire and civil and third parties liability	17	7

Urban properties and investment business

IRSA carries all-risk insurance for its shopping centers and other buildings covering damages to the property caused by fire, explosion, gas leak, hail, storm and winds, earthquakes, vandalism, theft and business interruption. IRSA also has civil liability insurance covering all potential damages to third parties or goods arising from the development of its businesses throughout the whole Argentine territory. IRSA is 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. Its history of damages is limited to only one claim made as a result a fire in Alto Avellaneda Shopping in March 2006, in which the loss was substantially recovered from its insurers. These insurance policies have all the specifications, limits and deductibles that are customary in the market and which IRSA believes are adequate for the risks to which it is exposed in its daily operations. IRSA also has purchased civil liability insurance to cover its directors' and officers' liability.

Control Systems

IRSA Commercial Properties has a computer systems to monitor tenants' sales in all of our shopping centers (except stands). IRSA Commercial Properties also conduct regular manual audits of its tenants accounting sales records in all of our shopping centers. Almost every store in those shopping centers has a point of sale that is linked to a main computer server in the administrative office of such shopping center. Likewise, it uses the information generated from the computer monitoring system for statistics regarding total sales, average sales, peak sale hours, etc., for marketing purposes and as a reference for the processes of internal audit. The lease contracts for tenants in Alto Avellaneda, Alto Palermo, Alcorta Shopping, Patio Bullrich, Buenos Aires Design, Abasto, Alto Rosario, Alto NOA, Dot Baires Shopping, Córdoba Shopping, Soleil Premium Outlet, La Ribera Shopping, Mendoza Plaza Shopping, Distrito Arcos and Alto Comahue contain a clause requiring tenants to be linked to the computer monitoring system, there being certain exceptions to this requirement.

Item 4A. Unresolved Staff Comments

None.

Item 5. Operating and Financial Review and Prospects

A. CONSOLIDATED OPERATING RESULTS

The following management's discussion and analysis of our financial condition and results of operations should be read together with "Selected Consolidated Financial Data" and our Audited Consolidated Financial Statements and related notes appearing elsewhere in this annual report. This discussion and analysis of our financial condition and results of operations contains forward-looking statements that involve risks, uncertainties and assumptions. These forward-looking statements include such words as, "expects", "anticipates", "intends", "believes" and similar language. Our actual results may differ materially and adversely from those anticipated in these forward-looking statements as a result of many factors, including without limitation those set forth elsewhere in this annual report. See Item 3 "Key Information – D. Risk Factors" for a more complete discussion of the economic and industry-wide factors relevant to us.

For purposes of the following discussion and analysis, unless otherwise specified, references to fiscal years 2016, 2015 and 2014 relate to the fiscal years ended June 30, 2016, 2015, and 2014 respectively.

Revenue Recognition

Our revenue is measured at the fair value of the consideration received or receivable.

Revenue derived from the sale of goods is recognized when: (a) material risks and benefits derived from title to property have been transferred; (b) the company does not retain any management function on the assets sold nor does it have any control whatsoever on such assets; (c) the amount of revenues and costs associated to the transaction may be measured on a reliable basis; and (d) the company is expected to accrue the economic benefits associated to the transaction.

Revenue derived from the provision of services is recognized when (a) the amount of revenue and costs associated to the services may be measured on a reliable basis; (b) the company is expected to accrue the economic benefits associated to the transaction, and (c) the level of completion of services may be measured on a reliable basis.

Agricultural and agricultural-related activities:

Revenue from our agricultural activities comes primarily from sales of agricultural produce and biological assets, from provision of services related to the activity and from leases from farmlands.

We recognize revenue on product sales when the agricultural produce or biological assets are delivered and the customers take ownership and assume risk of loss, which is when the products are received by the customer at its or a designated location or collected directly by the customer from the cultivation bases, collection of the relevant receivable is probable and the selling price is fixed or determinable. Net sales of products represent the invoiced value of goods, net of trade discounts and allowances, if any.

We also provide agricultural-related (including but not limited to watering and feedlot services) and brokerage services to third parties. Revenue from services is recognized as services are rendered.

We also lease land to third parties under operating lease agreements. Lease income is recognized on a straight-line basis over the period of the lease.

Investment property activities:

· Rental and services - Shopping centers portfolio

Revenues derived from business activities developed in our shopping centers mainly include rental income under operating leases, admission rights, commissions and revenue from several services provided to our lessees.

Rental income from shopping center leased out under operating leases, admission rights and fees related to their real estate agent business are recognized in the income statements on a straight-line basis over the term of the leases. When lease incentives are granted, they are recognized as an integral part of the net consideration for the use of the property and are therefore recognized on the same straight-line basis.

Contingent rents, being lease payments that are not fixed at the inception of a lease, are recorded as income in the years in which they are earned. Rent reviews are recognized when such reviews have been agreed with tenants.

Lease contracts also provide that common area maintenance charges and collective promotion funds of our shopping centers are borne by the corresponding lessees, generally on a proportionally basis. These common area maintenance charges include all such expenses convenient and necessary for various purposes including, but not limited to, the operation, maintenance, management, safety, preservation, repair, supervision, insurance and enhancement of the shopping centers. The lessor is responsible for determining the need and suitability of incurring a common area expense. We makes the original payment for such expenses, which are then reimbursed by the lessees. We have assessed the substance of the transactions and conclude that we are acting as a principal since it has exposure to the significant risks and rewards associated with the rendering of services. Service charge income is presented within rental income and services, separately from property operating expenses. Property operating expenses are expensed as incurred.

· Rental and services - Offices and other rental properties

Rental income from offices and other rental properties include rental income from office leased out under operating leases, income for services and expenses recovery paid from tenants.

Rental income from offices and other rental properties leased out under operating leases is recognized in the income statements on a straight-line basis over the term of the leases. When lease incentives are granted, they are recognized as an integral part of the net consideration for the use of the property and are therefore recognized on the same straight-line basis.

Lease contracts also provide that common area maintenance expenses of our offices and other rental properties are borne by the corresponding lessees, generally on a proportionally basis. These common area maintenance expenses include all such expenses convenient and necessary for various purposes including, but not limited to, the operation, maintenance, management, safety, preservation, repair, supervision, insurance and enhancement of the offices and other rental properties. We make the original payment for such expenses, which are then reimbursed by the lessees. We considered that we act as a principal in these cases. Th accrues reimbursements from tenants for recoverable portions of all these expenses as service charge revenue in the period the applicable expenditures are incurred and is presented separately from property operating expenses. Property operating expenses are recognized as incurred.

· Revenues from supermarkets

Revenue from the sale of goods in the ordinary course of business are recognized at the fair value of the consideration collected or receivable, net of returns and discounts. Where the credit term is short and financing is that typical in the industry, consideration is not discounted. Where the credit term is longer than the industry's average, in accounting for the consideration, theCompany discounts it to its net present value by using the client's risk premium or the market rate. The difference between the fair value and the nominal amount is accounted for under financial income. If discounts are granted and their amount can be measured reliably, the discount is recognized as a reduction of revenue.

Generally, the Company recognizes revenue upon delivery of goods to the client. In international sales, revenue is recognized upon loading goods with the forwarder. Where two or more products are sold under one single contract, the Company separates each component and gives them a separate accounting treatment. The attribution of value to each component is based on the relative fair value of each unit. Should the fair value not be measurable on a reliable basis, then revenue is attributed based on the difference arising between the total amount of the executed contract and the fair value of the goods delivered.

As regards client loyalty programs, the fair value of the consideration received or receivable in relation to the initial sale is allocated across the rewards credits and the other components of the sale. The amount allocated to rewards credits is estimated based on the market value of the goods to be delivered. The fair value of the right to purchase products at a discount is calculated considering the expected exchange ratio and the expected terms. Such amount is deferred and revenue is recognized only where rewards credits are exchanged and the Company has complied with its obligation to provide the products at a discount, or else when such reward credits have expired. The amount of revenue recognized under such circumstances is based on the number of reward credits that have been exchanged for products with discounts, in relation to the total number of reward credits expected to be exchanged. Deferred revenue is then reversed when reward credits are no longer likely to be exchanged.

In addition, when the Company acts as agent and not as main supplier in a transaction, revenue is recognized at the net amount of commissions. Revenue from commissions is recognized based on transactions conducted by credit card companies at the rate and on the date they are credited. Revenue from credit margins of credit cards is recognized on the date the client is bound to pay and revenue for subscription fees is recognized on a monthly basis.

· Revenue from communication services and sale of communication equipment

Revenue derived from the use of communication networks by the Company, including mobile phones, Internet services, international calls, fixed line calls, interconnection rates and roaming service rates, are recognized when the service is provided, proportionally to the extent the transaction has been realized, and provided all other criteria have been met for revenue recognition.

Revenue from the sale of mobile phone cards are initially recognized as deferred revenue and then recognized as revenue as they are used or upon expiration, whichever takes place earlier.

A transaction involving the sale of equipment to a final user normally also involves a service sale transaction. In general, this type of sale is performed without a contractual obligation by the client to consume telephone services for a minimum amount over a predetermined period. As a result, the Company records the sale of equipment separately and recognizes revenue pursuant to the transaction value upon delivery of the equipment to the client. Revenue from telephone services are recognized and accounted for as they are provided. When the client is bound to make a minimum consumption of services during a predefined period, the contract formalizes a transaction of several elements and, therefore, revenue from the sale of equipment is recorded at an amount that should not exceed its fair value, and is recognized upon delivery of the equipment to the client and provided the criteria for recognition are met. The Company ascertains the fair value of individual elements, based on the price at which it is normally sold, after taking into account the relevant discounts.

Revenue derived from long-term contracts is recognized at the present value of future cash flows, discounted at market rates prevailing on the transaction date. Any difference between the original credit and its net present value is accounted for as interest income over the credit term.

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Revenue from tourism services

Revenue from the provision of tourist services is recognized when the following conditions are met:

- the revenue amount may be reliably measured;

- the economic benefits associated to the transaction are expected to have an impact on the Company;

- the degree of completion of the transaction may be measured on a reliable basis; and

- expenses incurred in relation to the transaction as well as all necessary costs to finalize the transaction may be reliably measured.

Effects of the Global Macroeconomic Environment

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

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

	Fiscal year ended June 30,		
	2016	2015	2014
GDP growth	(3.4%)	1.2%	0.0%
Inflation (IPIM)(1)	26.7%	13.6%	27.7%
Inflation (CPI)(2)	47.1%	14.0%	15.0% (2)
Appreciation (depreciation) of the Peso against the U.S. Dollar(3)	(65.9%)	(11.8%)	(50.6%)
Average exchange rate per US$1.00(4)	Ps.14.9900	Ps.9.034	Ps.8.083
Appreciation (depreciation) of the NIS against the U.S. Dollar	(1.1%)	(10.0%)	5.6%

(1)
IPIM is the wholesale price index as measured by the Argentine Ministry of Economy and Production. Given the modifications to the system that INDEC uses to measure IPIM, there is no data for any price variations from July 1, 2015 to June 30, 2016. For that reason, we show accumulated prices from January 1, 2016 to June 30, 2016, published by INDEC.
(2)
CPI is the consumer price index as measured by the Argentine Ministry of Economy and Production. Since January 2014, the Argentine government established IPCNu, which more broadly reflects consumer prices by considering price information from the 23 Argentine provinces and the City of Buenos Aires. Therefore, the consumer price index for our fiscal 2014 only takes into account the six-month period after the new consumer price index was introduced. Given the modifications to the system that INDEC uses to measure CPI, there is no data for any price variations for the fiscal year ended at June 30, 2016, yet. For that reason, we show the interanual inflation published by "Dirección General de Estadísticas y Censos de la Ciudad de Buenos Aires, Ministerio de Hacienda". It differs from inflation reported for 2015 and 2014 because of the change of government and changes in the systems of measure of the INDEC. See Item 3.(a) Risk Factors —Risks Relating to Argentina - There are concerns about the accuracy of Argentina's official inflation statistics.
(3)
Depreciation corresponding to fiscal year 2016 is mostly due to the devaluation that took place on December 17, 2015. See Risk factor "Exchange controls and restrictions on transfers abroad and capital inflow restrictions have been limited in the past, and may limit the availability of international credit."
(4)
Represents average of the selling and buying exchange rate.

Sources: INDEC, Argentine Ministry of Economy and Production, City of Buenos Aires Ministry of Treasury, Banco de la Nación Argentina, Bloomberg.

According to the IMF estimates, Argentina's GDP for 2016 is expected to contract by 1.8% compared to 2015 due to a slight adjustment recession during the year, primarily due to the correction of macroeconomic and microeconomic distortions. However, growth is expected to strengthen to 2.7% in 2017 on the back of moderating inflation and more supportive monetary and fiscal policy policies by the Central Bank. According to the Organisation for Economic Co-operation and Development ("OECD") Israel's economic growth is projected to remain at 2.5% in 2016, before rising to 3% in 2017.

Argentine GDP decreased 3.4% during our fiscal 2016, compared to GDP growth of 1.2% in our fiscal 2015. Consumption was the primary driver of economic activity, as shopping center sales grew 41.4% as of June 30, 2016, compared to June 30, 2016, driven by the increase in nominal salaries. As of June 30, 2016, the unemployment rate was at 9.3% of the country's economically active population, compared to 6.6% as of June 30, 2015. For the year ended at December 31, 2015, Israel's growth reached 2.5% and remained at the same level for 2016.

Argentina's country risk, measured by the Emerging Market Bond Index, decreased 97 basis points for the 12 months ended June 30, 2016, maintaining a high spread vis-à-vis other countries in the region. The debt premium paid by Argentina was at 518 points in June 2016, compared to 352 paid by Brazil, and 213 paid by Mexico.

In regard to the Argentine economy, changes in short and long-term interest rates, unemployment and inflation may reduce the availability of consumer credit and the purchasing power of individuals who frequent shopping centers. These factors, combined with low GDP growth, may reduce general consumption rates in our shopping centers. Since leases agreements in our shopping centers for most of our revenue, require tenants to pay a percentage of their total sales as rent, a general reduction in consumption may reduce our revenue. A reduction in the number of shoppers in our shopping centers and consequently, in the demand for parking, may also reduce our revenues from services rendered.

Regarding Israel's economy, and based on information published by OECD, domestic demand is expected to remain the main driver of growth, while external demand is projected to recover slowly due to the high exchange rates that hold back exports. In this context, unemployment is expected to remain low, and inflation is projected to increase at very low levels.

Effects of inflation

The following are annual inflation rates during our fiscal years indicated, based on information published by the INDEC, which is dependent on the Argentine Ministry of Economy and Production:

Fiscal Year ended June 30	Consumer Price Index(1)	Wholesale Price Index
2011	9.7%	12.5%
2012	9.9%	12.8%
2013	10.5%	13.5%
2014 (from January 2014)	15.0%	27.7%
2015	15.0%	13.4%
2016	47.1%	26.7%(2)

(1)
In January 2014 the Argentine government established IPCNu, which more broadly reflects consumer prices by considering price information from the 23 provinces of Argentina and the City of Buenos Aires. Therefore, the consumer price index for the fiscal year ended June 30, 2014 only takes into account the six month period starting on January 1, 2014.
(2)
Given the modifications to the system that INDEC uses to measure IPIM, there is no data for any price variations from July 1, 2015 to June 30, 2016. For that reason, we show accumulated prices from January 1, 2016 to June 30, 2016, published by INDEC.

Continuing inflation will likely have an adverse effect on our operations. Additionally, minimum lease payments from tenants in our shopping centers are generally adjusted in accordance with the CER, an inflation index published by the Central Bank. Although higher inflation may increase lease payments, given that tenants tend to pass on increased expenses to consumers, this trend could lead to higher prices charged on goods sold which could result in lower sales volumes and therefore reduce the component of rent we receive based on sales revenue.

Since the INDEC modified the methodology it uses to calculate the consumer price index in January 2007, there have been concerns about the accuracy of Argentina's official inflation statistics, which led to the creation of the IPCNu in February 2014 in order to address the quality of official data.

Regarding rates of inflation in Israel, the Consumer Price Index, according to OECD was 0.5% increase in the prices for 2014, and deflation of 0.6% in 2015. Likewise, inflation projected for 2016 and 2017 is (0.2)% and 0.8%, respectively.

Seasonality

Our shopping centers business is directly affected by seasonality, as if results in fluctuations in the level of our tenants' sales. During Argentine summer holidays (January and February) our tenants' sales are generally at their lowest level, whereas during winter holidays (July) and in December (Christmas) they reach their highest level. Clothing retailers generally change their collections in spring and autumn, positively affecting our shopping center sales. Sales at discount prices at the end of each season are also one of the main sources revenue.

Also, in the Israeli retail segment business results are subject to seasonal fluctuations as a result of the consumption behavior of the population proximate to the Pesach holidays (March and/or April) and Rosh Hashanah and Sukkoth holidays (September and/or October). This also affects the balance sheet values of inventory, customers and suppliers. Our revenues from cellular services are usually affected by seasonality, with the third calendar quarter of each year characterized by higher roaming revenues due to increased incoming and outgoing tourism.

In 2016, the Passover holiday fell at the end of April, compared to 2015 when it was at the beginning of April. The timing of the holiday affects Shufersal's sales and special offers in the second quarter of 2016, compared to last year. The Passover holiday in the second quarter of 2016 had a greater effect on Shufersal's results than in the corresponding quarter in 2015, therefore analysis of the results for the first half of the year compared to the corresponding period in 2015 better represents the changes between the periods.

Effects of interest rate fluctuations

Most of our U.S. Dollar denominated debt accrues interest at a fixed rate. An increase in interest rates will not necessary result in a significant increase in our financial costs and may not materially affect our financial condition or our results of operations.

Effects of foreign currency fluctuations

A significant portion of our financial debt is denominated in U.S. dollars. Therefore, a depreciation or devaluation of the Argentine Peso against the U.S. dollar would increase our indebtedness measured in Pesos and materially affect our results of operations. Foreign currency exchange rate fluctuations significantly increase the risk of default on our mortgages and lease receivables. Foreign currency exchange restrictions that may be imposed by the Argentine Government could prevent or restrict our access to U.S. dollars, affecting our ability to service our U.S. dollar denominated liabilities.

During fiscal year 2016 and 2015, the Peso depreciated against the U.S. dollar and other curren cies by approximately 66% and 12%, respectively, which caused an impact on the comparability of our results of operations for the year ended June 30, 2016 to our results of operations for the year ended June 30, 2015, primarily in our revenues from office rentals and our net assets and liabilities denominated in foreign currency. The devaluation affected assets and liabilities denominated in foreign currency, and this effect is shown in the line "financial results, net" of our income statement.

As a result of the devaluation of the Peso and the discontinuation of the official exchange rate by the newly elected Argentine government that took office in December 2015, the exchange rate was Ps.13.0400 per US$1.00 on December 31, 2015 and Ps.15.5100 per US$1.00 on September 30, 2016.

During fiscal year 2016 and 2015, Israeli New Shekel depreciated against the U.S. dollar and other currencies by approximately 2.2% and 10%, respectively, which caused an impact on the comparability of our results of IDBD´s operations for the year ended June 30, 2016 to IDBD´s results of operations for the year ended June 30, 2015. As of June 30 2016, the offer exchange rate for June 30, 2016 was NIS 3.8575=U.S.$1.00, and NIS 3.7464 per US$1.00 on September 30, 2016. According to the information published in the Monetary Policy Report in July 2016 by the Bank of Israel, various models of the equilibrium exchange rate indicate that the Shekel could be overvalued. For more information about the exchange rates, see "Local Exchange Market and Exchange Rates."

Critical Accounting Policies and Estimates.

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

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

Not all of these significant accounting policies require management to make subjective or complex judgments or estimates. The following is intended to provide an understanding of the policies that management considers critical because of the level of complexity, judgment or estimations involved in their application and their impact on the consolidated financial statements. These judgments involve assumptions or estimates in respect of future events. Actual results may differ from these estimates.

Estimation	Main assumptions	Potential implications
Business combination - Allocation of acquisition prices	Assumptions regarding timing, amount of future revenues and expenses, revenue growth, expected rate of return, economic conditions, discount rate, among others.	Should any of the assumptions made be inaccurate the recognized combination may not be correct.
Recoverable amounts of cash-generating units (even those including goodwill), associates and assets.	The discount rate and the expected growth rate before taxes – in connection with cash-generating units. The discount rate and the expected growth rate after taxes – in connection with associates. Cash flows are determined based on past experiences with the asset or with similar assets and in accordance with the Company's best factual assumption relative to the economic conditions expected to prevail. Business continuity and share market public in connection with cash-generating unit value of the companies. Appraisals made by external appraisers and valuators with relation to the assets' fair value, net of realization costs (including real estate assets).	Should any of the assumptions made be inaccurate, this could lead to differences in the recoverable values of cash-generating units.

Control, joint control or significant influence	Judgment relative to the determination that the Company holds an interest in the shares of investees (considering the existence and influence of significant potential voting rights), its right to designate members in the executive management of such companies (usually the Board of directors) based on the investees' bylaws; the composition and the rights of other shareholders of such investees and their capacity to establish operating and financial policies for investees or to take part in the establishment thereof.	Accounting treatment of investments as subsidiaries (consolidation) or associates (equity method).
Estimated useful life of intangible assets, investment properties and property, plant and equipment	Estimated useful life of assets based on their conditions.	Recognition of accelerated or decelerated depreciation by comparison against final actual earnings (losses).
Fair value valuation of investment properties	Fair value valuation made by external appraisers and valuators.	Incorrect exposure of investment property values.
Income tax expense	The Company estimates the income tax amount payable for transactions where the Treasury's Claim cannot be clearly determined. Additionally, the Company evaluates the recoverability of assets due to deferred taxes considering whether some or all of the assets will not be recoverable.	Upon the improper determination of the provision for income tax, the Company will be bound to pay additional taxes, including fines and compensatory and punitive interest.
Allowance for doubtful accounts	A periodic review is conducted of receivables risks in the Company's clients' portfolios. Bad debts based on the expiration of account receivables and account receivables' specific conditions.	Improper recognition of charges / reimbursements of the allowance for bad debt.
Hybrid financial instrument related to the non-recourse loan from Koor (Adama)	· The value of Adama's shares. · Unobserved data underlying the binomial model applied to the determination of the embedded derivative instruments' value.	Changes in losses or profits resulting from the variation in the fair value of the embedded derivative, and variations in the book amount of the primary contract recognized as revenues or expenses from financing.
Level 2 and 3 financial instruments	Main assumptions used by the Company are: · Projected discounted income as per discount rate · Values determined in accordance with the company's shares in equity funds on the basis of its financial statements, based on fair value or investment assessments. · Comparable market multiple (EV/GMV ratio). · Underlying asset price (market price) and share price volatility (historical) and market interest rate (Libor curve).	Wrong recognition of a charge to income.
Probability estimate of contingent liabilities	Whether more economic resources may be spent in relation to litigation against the Company; such estimate is based on legal advisors' opinions.	Charge / reversal of provision in relation to a claim.
Biological assets	Main assumptions used in valuation are: yields, operating costs, selling expenses, future of sales prices, discount rate.	Wrong recognition/valuation of biological assets. See sensitivities modeled on these parameters in Note 14.

Business Segment Information

IFRS 8 requires an entity to report financial and descriptive information about its reportable segments, which are operating segments or aggregations of operating segments that meet specified criteria. Operating segments are component of an entity about which separate financial information is available that is evaluated regularly by the CODM. According to IFRS 8, the CODM represents a function whereby strategic decisions are made and resources are assigned. The CODM function is carried out by the President of the Company, Mr. Eduardo S. Elsztain. In addition, and due to the acquisition of IDBD, two responsibility levels have been established for resource allocation and assessment of results of the two operations centers, through executive committees in Argentina and Israel.

As a result of the control of IDBD, the Company reports its financial and equity performance based on the new segment structure. Comparative information has been modified to reflect the new organization insofar as possible.

Segment information is reported from the perspective of products and services: (i) agricultural business and (ii) urban properties and investment business. In addition, this last segment is reported divided from the geographic point of view in two Operations Centers to manage its global interests: Argentina and Israel. Within each operations center, the Company considers separately the various activities being developed, which represent reporting operating segments given the nature of its products, services, operations and risks. Management believes the operating segment clustering in each operations center reflects similar economic characteristics in each region, as well as similar products and services offered, types of clients and regulatory environments.

Agricultural business:

In the third quarter, we have changed the presentation of the agricultural business segments which are reviewed by the CODM for a better alignment with the current business vision and the metrics used to such end. Four operating segments (crops, cattle, dairy and sugarcane) have been aggregated into a single operating segment named “Agricultural production”. Management consider for the aggregation the nature of the production processes (growing of biological assets), the methods used to distribute their products and the nature of the regulatory environment (agricultural business). Therefore this quarter three segments are considered:

The "Agricultural production" segment consists of planting, harvesting and sale of crops as wheat, corn, soybeans, cotton and sunflowers; breeding, purchasing and/or fattening of free-range cattle for sale to slaughterhouses and local livestock auction markets; breeding and/or purchasing dairy cows for the production of raw milk for sale to local milk and milk-related products producers; and planting, harvesting and sale of sugarcane.

The “Land transformation and sales” segment comprises gains from the disposal and development of farmlands activities

The "Other segments" column includes, principally, agricultural services (for example, irrigation); leasing of our farms to third parties; feedlot farming, slaughtering and processing in the meat refrigeration plant; and brokerage activities, among others.

The amounts corresponding to the fiscal year ended June 30, 2015 and 2014, have been retroactively adjusted to reflect changes in segment information.

Urban properties and investments:

Operations Center in Argentina

Within this center, IRSA operates in the following segments:

The "Shopping centers" segment includes assets and results of the activity of shopping centers portfolio, principally comprised of lease and service revenues related to rental of commercial space and other spaces in the shopping centers of the Company.

The "Office and others" segment includes the assets and the operating results of the activity of lease of office space and other rental properties and service revenues related to this activity.

The "Sales and developments" segment includes assets and the operating results of the sales of undeveloped parcels of land and/or trading properties, as the results related with its development and maintenance. Also included in this segment are the results of the sales of real property intended for rent, sales of hotels and other properties included in the International segment.

The "Hotels" segment includes the operating results of the hotels principally comprised of room, catering and restaurant revenues.

The "International" segment primarily includes assets and operating profit or loss from business related to associates Condor and Lipstick. Through these associates, the Company derives revenue from hotels and an office building in United States, respectively. Until September 30, 2014, this segment included revenue from a subsidiary that owned the building located at 183 Madison Ave in New York, United States, which was sold on September 29, 2014. Additionally, until October 11, 2015, this international segment only included results from the investment in IDBD carried at fair value.

The "Financial operations and others" segment primarily includes the financial activities carried out by BHSA and Tarshop and other residual financial operations.

The CODM periodically reviews the results and certain asset categories and assesses performance of the operating segments corresponding to the agricultural business and urban properties and investment business of the operations center Argentina based on a measure of profit or loss of the segment composed by the operating income plus the equity in earnings of joint ventures and associates. The valuation criteria used in preparing this information are consistent with IFRS standards used for the preparation of the Audited Consolidated Financial Statements, except for the following:

Operating results of joint ventures: Cresca, Cyrsa, NPSF, Puerto Retiro, Baicom and Quality are evaluated by the CODM applying proportional consolidation method. Under this method the income/loss generated and assets, are reported in the income statement line-by-line based on the percentage held in joint ventures rather than in a single item as required by IFRS. Management believes that the proportional consolidation method provides more useful information to understand the business return. Moreover, operating results of EHSA joint venture is accounted for under the equity method. Management believes that, in this case, this method provides more adequate information for this type of investment, given its low materiality and considering it is a company without direct trade operations, where the main asset consists of an indirect interest of 25% of LRSA.

Operating results from the shopping centers and offices do not include the amounts attributable to building arrangement expenses and collective promotion funds ("FPC", as per its Spanish acronym) as well as total recovered costs, whether by way of building administration expenses or other concepts included under financial results (for example default interest and other concepts). The CODM examines the net amount from both concepts (total surplus or deficit between building administration expenses and FPC and recoverable expenses).

The asset categories examined by the CODM are: investment properties, property, plant and equipment, trading properties, inventories, right to receive future units under barter agreements, investment in associates and goodwill. The sum of these assets, classified by business segment, is reported under “assets by segment”. Assets are allocated to each segment based on the operations and/or their physical location.

Within the operations center in Argentina, most revenue from its operating segments is derived from, and their assets are located in, Argentina, except for earnings of associates included in the “International” segment located in United States.

Revenues for each reporting segments derive from a large and diverse client base and, therefore, there is no revenue concentration in any particular segment.

Operations Center in Israel

Within this center, IRSA operates in the following segments:

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The “Real Estate” segment includes assets and operating income derived from business related to the subsidiary PBC. Through PBC, we operate rental properties and residential properties in Israel, United States and other parts of the world and carries out commercial projects in Las Vegas.

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The “Supermarkets” segment includes assets and operating income derived from the business of Shufersal which operates a supermarket chain in Israel.

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The “Agrochemicals” segment includes income derived from the activities of Adama which is accounted for as an associate using the equity method of accounting Adama is specialized in agrochemicals, particularly for the production of crops for consumption.

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The “Telecommunications” segment includes assets and operating income from the business of Cellcom which is telecommunication service provider that offers mobile phone services, fixed line phone services, data and Internet, among others.

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The “Insurance” segment includes the operations of Clal which is one of the most important insurance groups in Israel, and is mainly engaged in pension and social security insurance, among others. As indicated in Note 16 to our Audited Consolidated Financial Statements, 51% of the controlling shares of Clal are held in trust as specified in a judicial order of the Israel Securities Commission in order to comply with the requirement that the controlling shares of Clal be offered for sale to a third party; as a result, the Company is not fully consolidated on a line-by-line basis but rather in a single line as a financial instrument at fair value, as required by IFRS.

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The “Others” segment includes the assets and income derived from other diverse business activities, such as technological developments, tourism, oil and gas assets, electronics, and others.

The CODM periodically reviews the results and certain asset categories and assesses performance of this operating segment based on a measure of profit or loss of the segment composed by the operating income plus the equity in earnings of joint ventures and associates. The valuation criteria used in preparing this information are consistent with IFRS standards used for the preparation of the Audited Consolidated Financial Statements.

As indicated under Note 2 of our Audited Consolidated Financial Statements, the Company decided to consolidate income derived from its operations center in Israel with a three month lag, as adjusted for the effects of significant transactions; hence, operating results of IDBD for the period extending from October 11, 2015 (the date of acquisition of control) through March 31, 2016 are included in the Company’s comprehensive income for the fiscal year ended June 30, 2016.

Furthermore, comparative information has not been modified for as of that date the Company did not exercise control over IDBD. The assessment of this investment was part of the international segment of the urban properties and investment business in the operations center in Argentina.

Goods and services exchanged between segments are calculated on the basis of market prices. Intercompany transactions between segments, if any, are eliminated.

Business segments involving the urban properties and investments business from the operations center in Argentina where the CODM evaluated assets under the proportional consolidation method, each reported asset includes the proportional share of the Company in the same class of assets of the associates and/or joint ventures. Only as an example, the investment properties amount reported to the CODM includes (i) the balance investment properties as per the statement of financial position plus (ii) the Company’s share of the investment properties of these joint ventures.

Within the agricultural business, most revenue from its operating segments are generated from and their assets are located in Argentina and Brazil, mainly.

Within the operations center in Israel, most revenue from its operating segments are derived from, and their assets are located in, Israel, except for part of earnings from the Real Estate segment, which are generated from activities outside Israel, mainly in United States.

Within the agricultural business and the urban properties and investments business from the operations center in Argentina, the assets categories reviewed by the CODM are: investment properties, property, plant and equipment, trading properties, inventories, biological assets, right to receive future units under barter agreements, investment in joint ventures and associates and goodwill. The aggregate of these assets, classified by business segment, are disclosed as “segment assets”. Assets are allocated to each segment based on the operations and/or their physical location.

Below is a summarized analysis of the lines of business of the Company for the year ended June 30, 2016:

	Agricultural business	Urban properties and investments business			Total
		Operations Center in Argentina	Operations Center in Israel	Subtotal	
			(in million of Ps.)		
Revenues	2,912	3,284	28,229	31,513	34,425
Costs	(3,821)	(839)	(20,481)	(21,320)	(25,141)
Initial recognition and changes in the fair value of biological assets and agricultural produce at the point of harvest	1,717	-	-	-	1,717
Changes in the net realizable value of agricultural produce after harvest	208	-	-	-	208
Gross profit	1,016	2,445	7,748	10,193	11,209
Gain from disposal of investment properties	-	1,056	45	1,101	1,101
Loss from disposal of farmlands	(2)	-	-	-	(2)
General and administrative expenses	(314)	(554)	(1,387)	(1,941)	(2,255)
Selling expenses	(338)	(264)	(5,686)	(5,950)	(6,288)
Other operating results, net	(70)	32	-	32	(38)
Profit from operations	292	2,715	720	3,435	3,727
Share of profit / (loss) of joint ventures and associates	23	96	338	434	457
Segment profit	315	2,811	1,058	3,869	4,184
Investment properties	11	3,340	-	3,340	3,351
Property, plant and equipment	2,736	244	-	244	2,980
Trading properties	-	253	-	253	253
Goodwill	10	25	-	25	35
Rights to receive future units under barter agreements	-	90	-	90	90
Biological assets	1,144	-	-	-	1,144
Inventories	660	28	-	28	688
Interests in joint ventures and associates	54	964	-	964	1,018
Operating assets from Operations Center in Israel	-	-	146,989	146,989	146,989
Total segment assets	4,615	4,944	146,989	151,933	156,548
Operating liabilities from Operations Center in Israel	-	-	132,865	132,865	132,865

Below is a summarized analysis of the lines of business of the Company for the year ended June 30, 2015:

	Agricultural business	Urban properties and investments business Operations Center in Argentina (in million of Ps.)	Total
Revenues	2,395	2,547	4,942
Costs	(3,419)	(633)	(4,052)
Initial recognition and changes in the fair value of biological assets and agricultural produce at the point of harvest	1,347	-	1,347
Changes in the net realizable value of agricultural produce after harvest	(34)	-	(34)
Gross profit	289	1,914	2,203
Gain from disposal of investment properties	-	1,150	1,150
Gain from disposal of farmlands	570	-	570
General and administrative expenses	(247)	(378)	(625)
Selling expenses	(286)	(195)	(481)
Other operating results, net	(19)	29	10
Profit from operations	307	2,520	2,827
Share of profit / (loss) of joint ventures and associates	1	(1,037)	(1,036)
Segment profit	308	1,483	1,791
Investment properties	77	3,494	3,571
Property, plant and equipment	2,079	256	2,335
Trading properties	-	136	136
Goodwill	8	25	33
Rights to receive future units under barter agreements	-	90	90
Biological assets	588	-	588
Inventories	496	23	519
Interests in joint ventures and associates	33	2,382	2,415
Total segment assets	3,281	6,406	9,687

Below is a summarized analysis of the lines of business of the Company for the year ended June 30, 2014:

	Agricultural business	Urban properties and investments business Operations Center in Argentina (in million of Ps.)	Total
Revenues	1,813	2,157	3,970
Costs	(2,617)	(649)	(3,266)
Initial recognition and changes in the fair value of biological assets and agricultural produce at the point of harvest	1,172	-	1,172
Changes in the net realizable value of agricultural produce after harvest	(17)	-	(17)
Gross profit	351	1,508	1,859
Gain from disposal of investment properties	-	231	231
Gain from disposal of farmlands	91	-	91
General and administrative expenses	(241)	(300)	(541)
Selling expenses	(210)	(150)	(360)
Other operating results, net	(29)	(49)	(78)
(Loss) / Profit from operations	(38)	1,240	1,202
Share of profit / (loss) of joint ventures and associates	11	(437)	(426)
Segment (loss) / profit	(27)	803	776
Investment properties	51	3,539	3,590
Property, plant and equipment	2,417	238	2,655
Trading properties	-	143	143
Goodwill	11	26	37
Rights to receive future units under barter agreements	-	85	85
Assets held for sale	-	1,358	1,358
Biological assets	652	-	652
Inventories	433	18	451
Interests in joint ventures and associates	37	1,966	2,003
Total segment assets	3,601	7,373	10,974

Agriculture line of business:

The following tables present the reportable segments of the agriculture line of business:

	June 30, 2016			
	Agricultural production	Land transformation and sales	Others	Total Agricultural business (i)
	(in million of Ps.)			
Revenues	1,689	-	1,223	2,912
Costs	(2,727)	(9)	(1,085)	(3,821)
Initial recognition and changes in the fair value of biological assets and agricultural produce at the point of harvest	1,717	-	--	1,717
Changes in the net realizable value of agricultural produce after harvest	208	-	--	208
Gross profit / (loss)	887	(9)	138	1,016
Loss from disposal of farmlands	-	(2)	-	(2)
General and administrative expenses	(256)	(1)	(57)	(314)
Selling expenses	(247)	-	(91)	(338)
Other operating results, net	(72)	-	2	(70)
Profit / (Loss) from operations	312	(12)	(8)	292
Share of profit / (loss) of associates	26	-	(3)	23
Segment profit / (loss)	338	(12)	(11)	315
Investment properties	-	--	11	11
Property, plant and equipment	2,673	13	50	2,736
Goodwill	10	-	-	10
Biological assets	1,144	-	-	1,144
Inventories	499	-	161	660
Investments in associates	54	-	-	54
Total segment assets (ii)	4,380	13	222	4,615

(i)
From all of the Company's revenues corresponding to Agricultural Business, Ps. 2,212 million are originated in Argentina and Ps. 700 million in other countries, principally in Brazil for Ps. 503 million.
(ii)
From all of the Company's assets included in the segment corresponding to Agricultural Business, Ps. 2,062 million are located in Argentina and Ps. 2,556 million in other countries, principally in Brazil for Ps. 1,470 million.

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	June 30, 2015			
	Agricultural production	Land transformation and sales	Others	Total Agricultural business (i)
	(in million of Ps.)			
Revenues	1,400	-	995	2,395
Costs	(2,545)	(9)	(865)	(3,419)
Initial recognition and changes in the fair value of biological assets and agricultural produce at the point of harvest	1,347	-	-	1,347
Changes in the net realizable value of agricultural produce after harvest	(34)	-	-	(34)
Gross profit / (loss)	168	(9)	130	289
Gain from disposal of farmlands	-	570	-	570
General and administrative expenses	(210)	(2)	(35)	(247)
Selling expenses	(193)	(2)	(91)	(286)
Other operating results, net	(15)	(5)	1	(19)
(Loss) / Profit from operations	(250)	552	5	307
Share of profit of associates	1	-	-	1
Segment (loss) / profit	(249)	552	5	308
Investment properties	-	-	77	77
Property, plant and equipment	1,997	13	69	2,079
Goodwill	7	-	1	8
Biological assets	587	-	1	588
Inventories	370	-	126	496
Investments in associates	33	-	-	33
Total segment assets (ii)	2,994	13	274	3,281

(i)
From all of the Company’s revenues corresponding to Agricultural Business, Ps. 1,679 million are originated in Argentina and Ps. 716 million in other countries, principally in Brazil for Ps. 578 million.
(ii)
From all of the Company’s assets included in the segment corresponding to Agricultural Business, Ps. 1,379 million are located in Argentina and Ps. 1,902 million in other countries, principally in Brazil for Ps. 1,186 million.

	June 30, 2014			
	Agricultural production	Land transformation and sales	Others	Total Agricultural business (i)
	(in million of Ps.)			
Revenues	1,105	-	708	1,813
Costs	(2,011)	(8)	(598)	(2,617)
Initial recognition and changes in the fair value of biological assets and agricultural produce at the point of harvest	1,172	-	-	1,172
Changes in the net realizable value of agricultural produce after harvest	(17)	-	-	(17)
Gross profit / (loss)	249	(8)	110	351
Gain from disposal of farmlands	-	91	-	91
General and administrative expenses	(208)	(1)	(32)	(241)
Selling expenses	(139)	(4)	(67)	(210)
Other operating results, net	(29)	-	-	(29)
(Loss) / Profit from operations	(127)	78	11	(38)
Share of profit of associates	11	-	-	11
Segment (loss) / profit	(116)	78	11	(27)
Investment properties	-	-	51	51
Property, plant and equipment	2,365	7	45	2,417
Goodwill	10	-	1	11
Biological assets	647	-	5	652
Inventories	334	-	99	433
Investments in associates	34	-	3	37
Total segment assets (ii)	3,390	7	204	3,601

(i)
From all of the Company’s revenues corresponding to Agricultural Business, Ps. 1,279 million are originated in Argentina and Ps. 534 million in other countries, principally in Brazil for Ps. 415 million.
(ii)
From all of the Company’s assets included in the segment corresponding to Agricultural Business, Ps. 1,252 million are located in Argentina and Ps. 2,348 million in other countries, principally in Brazil for Ps. 1,727 million.

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Urban properties line of business and investments

The following tables present the reportable segments from the Operations Center in Argentina:

	June 30, 2016						
	Shopping Center	Offices and others	Sales and developments	Hotels	International	Financial operations and others	Total
	(in million of Ps.)						
Revenues (i)	2,406	340	3	534	-	1	3,284
Costs	(403)	(53)	(20)	(362)	-	(1)	(839)
Gross profit / (loss)	2,003	287	(17)	172	-	-	2,445
Gain from disposal of investment properties	-	-	1,056	-	-	-	1,056
General and administrative expenses	(179)	(50)	(131)	(103)	(91)	-	(554)
Selling expenses	(145)	(12)	(36)	(69)	-	(2)	(264)
Other operating results, net	(42)	(6)	(8)	(2)	89	1	32
Profit / (Loss) from operations	1,637	219	864	(2)	(2)	(1)	2,715
Share of profit / (loss) of joint ventures and associates	-	14	5	-	(154)	231	96
Segment profit / (loss)	1,637	233	869	(2)	(156)	230	2,811
Investment properties	2,282	879	173	-	-	6	3,340
Property, plant and equipment	49	25	2	166	2	-	244
Trading properties	1	-	252	-	-	-	253
Goodwill	14	6	5	-	-	-	25
Rights to receive future units under barter agreements	-	-	90	-	-	-	90
Inventories	19	-	1	8	-	-	28
Investment in joint ventures and associates	-	31	62	-	(832)	1,703	964
Total segment assets (ii)	2,365	941	585	174	(830)	1,709	4,944

(i)
From all our revenues corresponding to the urban properties and investment business of the Operations Center in Argentina, Ps. 3,284 million are originated in Argentina. No external client represents 10% or more of revenue of any of the reportable segments.

(ii)
From all our assets included in the segment corresponding to the urban properties and investment business of the operations Center in Argentina, Ps. 5,618 million are located in Argentina and Ps. (674) million in other countries, principally in United States for Ps. (832) million and Uruguay for Ps. 158 million, respectively.

	June 30, 2015						
	Shopping Center	Offices and others	Sales and developments	Hotels	International	Financial operations and others	Total
	(in million of Ps.)						
Revenues (i)	1,778	333	14	396	26	-	2,547
Costs	(291)	(36)	(19)	(279)	(7)	(1)	(633)
Gross profit / (loss)	1,487	297	(5)	117	19	(1)	1,914
Gain from disposal of investment properties	-	-	1,150	-	-	-	1,150
General and administrative expenses	(135)	(59)	(50)	(78)	(56)	-	(378)
Selling expenses	(113)	(21)	(9)	(52)	-	-	(195)
Other operating results, net	(49)	(118)	13	-	185	(2)	29
Profit / (Loss) from operations	1,190	99	1,099	(13)	148	(3)	2,520
Share of (loss) / profit of joint ventures and associates	-	(3)	(2)	1	(1,191)	158	(1,037)
Segment profit / (loss)	1,190	96	1,097	(12)	(1,043)	155	1,483
Investment properties	2,321	978	188	-	-	7	3,494
Property, plant and equipment	48	31	1	175	1	-	256
Trading properties	1	-	135	-	-	-	136
Goodwill	14	6	5	-	-	-	25
Rights to receive future units under barter agreements	-	-	90	-	-	-	90
Inventories	16	-	-	7	-	-	23
Interests in joint ventures and associates	-	21	47	-	910	1,404	2,382
Total segment assets (ii)	2,400	1,036	466	182	911	1,411	6,406

(i)
From all our revenues corresponding to the urban properties and investment business of the Operations Center in Argentina, Ps. 2,521 million are originated in Argentina and Ps. 26 million in United States. No external client represents 10% or more of revenue of any of the reportable segments.
(ii)
From all our assets included in the segment corresponding to the urban properties and investment business of the Operations Center in Argentina, Ps. 4,767 million are located in Argentina and Ps. 1,639 million in other countries, principally in United States for Ps. 1,533 million and Uruguay for Ps. 106 million, respectively.

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	June 30, 2014						
	Shopping Center	Offices and others	Sales and developments	Hotels	International	Financial operations and others	Total
	(in million of Ps.)						
Revenues (i)	1,383	271	86	332	84	1	2,157
Costs	(297)	(45)	(35)	(217)	(54)	(1)	(649)
Gross profit	1,086	226	51	115	30	-	1,508
Gain from disposal of investment properties	-	-	231	-	-	-	231
General and administrative expenses	(102)	(42)	(37)	(60)	(59)	-	(300)
Selling expenses	(73)	(21)	(14)	(42)	-	-	(150)
Other operating results, net	(47)	(3)	8	(3)	(1)	(3)	(49)
Profit / (Loss) from operations	864	160	239	10	(30)	(3)	1,240
Share of (loss) / profit of joint ventures and associates	-	(1)	6	1	(616)	173	(437)
Segment profit / (loss)	864	159	245	11	(646)	170	803
Investment properties	2,275	834	423	-	-	7	3,539
Property, plant and equipment	20	36	4	176	2	-	238
Trading properties	1	-	142	-	-	-	143
Goodwill	9	12	5	-	-	-	26
Rights to receive future units under barter agreements	-	-	85	-	-	-	85
Assets held for sale	-	-	-	-	1,358	-	1,358
Inventories	11	-	1	6	-	-	18
Interests in joint ventures and associates	-	23	38	22	629	1,254	1,966
Total segment assets (ii)	2,316	905	698	204	1,989	1,261	7,373

(i)
From all our revenues corresponding to the urban properties and investment business of the Operations Center in Argentina, Ps. 2,073 million are originated mainly in Argentina and Ps. 84 million in United States. No external client represents 10% or more of revenue of any of the reportable segments.

(ii)
From all our assets included in the segment corresponding to the urban properties and investment business of the Operations Center in Argentina, Ps. 5,274 million are located in Argentina and Ps. 2,099 million in other countries,

principally in United States for Ps. 1,988 million.

The following table presents the reportable segments of the Operations Center in Israel:

	June 30, 2016						
	Real Estate	Supermarkets	Agrochemicals	Telecommunications	Insurance	Others	Total
	(in million of Ps.)						
Revenues (i)	1,538	18,610	-	6,655	-	1,426	28,229
Costs	(837)	(13,925)	-	(4,525)	-	(1,194)	(20,481)
Gross profit	701	4,685	-	2,130	-	232	7,748
Gain from disposal of investment properties	45	-	-	-	-	-	45
General and administrative expenses	(100)	(203)	-	(708)	-	(376)	(1,387)
Selling expenses	(29)	(4,058)	-	(1,493)	-	(106)	(5,686)
Profit / (Loss) from operations	617	424	-	(71)	-	(250)	720
Share of profit / (loss) of joint ventures and associates	97	-	334	-	-	(93)	338
Segment profit / (loss)	714	424	334	(71)	-	(343)	1,058
Operating assets (ii)	60,197	29,440	-	27,345	4,602	25,405	146,989
Operating liabilities	(49,452)	(23,614)	-	(21,657)	-	(38,142)	(132,865
	10,745	5,826	-	5,688	4,602	(12,737)	14,124

(i)
From all our revenues corresponding to the urban properties and investment business of the Operations Center in Israel, Ps. 512 million are originated in United States and Ps. 27,717 million in Israel. No external client represents 10% or more of revenue of any of the reportable segments.
(ii)
From all our assets included in the segment corresponding to the urban properties and investment business of the Operations Center in Israel, Ps. 14,070 million are located in United States, Ps. 786 million in India and the remaining in Israel.

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The following tables present a reconciliation between the total results of operations as per the segment information and the profit from operation as per the statement of income. The adjustments relate to the presentation of the results of operations of joint ventures accounted for under the equity method under IFRS and the non-elimination of the inter-segment transactions.

	June 30, 2016				
	Total segment information	Adjustment for share of profit / (loss) of joint ventures	Expenses and collective promotion funds	Adjustment to income for elimination of inter-segment transactions	Total statement of income
	(in million of Ps.)				
Revenues	34,425	(89)	1,194	(146)	35,384
Costs	(25,141)	111	(1,207)	147	(26,090)
Initial recognition and changes in the fair value of biological assets and agricultural produce at the point of harvest	1,717	(57)	-	-	1,660
Changes in the net realizable value of agricultural produce after harvest	208	-	-	-	208
Gross profit / (loss)	11,209	(35)	(13)	1	11,162
Gain from disposal of investment properties	1,101	-	-	-	1,101
Loss from disposal of farmlands	(2)	-	-	-	(2)
General and administrative expenses	(2,255)	5	-	6	(2,244)
Selling expenses	(6,288)	8	-	1	(6,279)
Other operating results, net	(38)	(2)	-	(3)	(43)
Profit / (Loss) from operations before share of Profit / (Loss) of joint ventures and associates	3,727	(24)	(13)	5	3,695
Share of (loss) / profit of joint ventures and associates	457	14	-	-	471
Profit / (Loss) from operations before financing and taxation	4,184	(10)	(13)	5	4,166

	June 30, 2015				
	Total segment information	Adjustment for share of Profit / (Loss) of joint ventures	Expenses and collective promotion funds	Adjustment to income for elimination of inter-segment transactions	Total statement of income
	(in million of Ps.)				
Revenues	4,942	(53)	887	(124)	5,652
Costs	(4,052)	61	(901)	122	(4,770)
Initial recognition and changes in the fair value of biological assets and agricultural produce at the point of harvest	1,347	(23)	-	-	1,324
Changes in the net realizable value of agricultural produce after harvest	(34)	-	-	-	(34)
Gross profit / (loss)	2,203	(15)	(14)	(2)	2,172
Gain from disposal of investment properties	1,150	-	-	-	1,150
Gain / (Loss) from disposal of farmlands	570	(20)	-	-	550
General and administrative expenses	(625)	4	-	3	(618)
Selling expenses	(481)	6	-	1	(474)
Other operating results, net	10	3	-	(1)	12
Profit / (Loss) from operations before share of Profit / (Loss) of joint ventures and associates	2,827	(22)	(14)	1	2,792
Share of (loss) / profit of joint ventures and associates	(1,036)	11	-	-	(1,025)
Profit / (Loss) from operations before financing and taxation	1,791	(11)	(14)	1	1,767

	June 30, 2014				
	Total segment information	Adjustment for share of Profit / (Loss) of joint ventures	Expenses and collective promotion funds	Adjustment to income for elimination of inter-segment transactions	Total statement of income
	(in million of Ps.)				
Revenues	3,970	(63)	736	(39)	4,604
Costs	(3,266)	60	(744)	37	(3,913)
Initial recognition and changes in the fair value of biological assets and agricultural produce at the point of harvest	1,172	(20)	-	-	1,152
Changes in the net realizable value of agricultural produce after harvest	(17)	-	-	-	(17)

Gross profit / (loss)	1,859	(23)	(8)	(2)	1,826
Gain from disposal of investment properties	231	-	-	-	231
Gain from disposal of farmlands	91	-	-	-	91
General and administrative expenses	(541)	5	-	3	(533)
Selling expenses	(360)	6	-	-	(354)
Other operating results, net	(78)	4	-	(1)	(75)
Profit / (Loss) from operations before share of Profit / (Loss) of joint ventures and associates	1,202	(8)	(8)	-	1,186
Share of (loss) / profit of joint ventures and associates	(426)	16	-	-	(410)
Profit / (Loss) from operations before financing and taxation	776	8	(8)	-	776

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The following tables present a reconciliation between total segment assets and liabilities and total assets as per the statement of financial position. Adjustments are mainly related to the filing of certain classes of assets in segment information and to the proportional consolidation of joint ventures mentioned previously.

	June 30, 2016					June 30, 2015			June 30, 2014	
	Agricultural business	Urban properties and investments business			Total	Agricultural business	Urban properties and investments business	Total	Agricultural business	Urban properties and investmen business
		Operations Center in Argentina	Operations Center in Israel	Subtotal			Operations Center in Argentina			Operation Center in Argentina
	(in million of Ps.)									
Total Assets per segment	4,615	4,944	146,989	151,933	156,548	3,281	6,406	9,687	3,601	7,373
Less: Proportionate share in reportable assets per segment of joint ventures (*)	(529)	(117)	-	(117)	(646)	(382)	(95)	(477)	(294)	(149)
Measurement adjustments at fair value										
Plus: Investments in joint ventures (**)	233	203	-	203	436	177	181	358	64	308
Other non-reportable assets (***)	3,102	6,561	-	6,561	9,663	2,794	2,914	5,708	2,606	2,275
Total Consolidated assets as per Statement of financial position	7,421	11,591	146,989	158,580	166,001	5,870	9,406	15,276	5,977	9,807

(***) Includes deferred income tax assets, income tax credit, restricted assets, trade and other receivables, financial assets held for sale, investment in financial assets, derivative financial instruments, employee benefits, cash and cash equivalents and intangible assets except for goodwill and right to receive units.

(*) Below is a detail of the proportionate share in assets by segment of joint ventures included in the information reported by segment.

	June 30, 2016					June 30, 2015			June 30, 2014		
	Agricultural business	Urban properties and investments business			Total	Agricultural business	Urban properties and investments business	Total	Agricultural business	Urban properties and investments business	To
		Operations Center in Argentina	Operations Center in Israel	Subtotal			Operations Center in Argentina			Operations Center in Argentina	
	(in million of Ps.)										
Investment properties	2	115	-	115	117	-	96	96	-	135	13
Property, plant and equipment	509	(5)	-	(5)	504	366	(9)	357	273	-	27
Trading properties	-	1	-	1	1	-	3	3	-	6	6
Goodwill	-	5	-	5	5	-	5	5	-	7	7
Biological assets	12	-	-	-	12	9	-	9	11	-	11
Inventories	6	1	-	1	7	7	-	7	10	1	11
Total proportionate share in assets per segment of joint ventures	529	117	-	117	646	382	95	477	294	149	44

(**)
Represents the equity-accounted amount of those joint ventures, which were proportionate-consolidated for segment information purposes.

	June 30, 2016					June 30, 2015			June 30, 2014	
	Agricultural business	Urban properties and investments business			Total	Agricultural business	Urban properties and investments business	Total	Agricultural business	Urban properties and investment business
		Operations Center in Argentina	Operations Center in Israel	Subtotal			Operations Center in Argentina			Operations Center in Argentina
	(in million of Ps.)									
Total Liabilities per	-	-	132,865	132,865	132,865	-	-	-	-	-

segment										
Plus: Liabilities corresponding to agricultural business and urban properties and investment business of the operations center in Argentina	5,323	12,581	-	12,581	17,904	4,209	7,165	11,374	4,213	7,136
Total Consolidated liabilities as per Statement of financial position	5,323	12,581	132,865	145,446	150,769	4,209	7,165	11,374	4,213	7,136

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Fiscal year ended on June 30, 2016 compared to the fiscal year ended on June 30, 2015

On October 11, 2015, we obtained control of IDBD (See Note 3 to the Consolidated Financial Statements as of June 30, 2016 and 2015). Given that we have consolidated significant figures from various industries provided by IDBD and its subsidiaries, consolidated results (Agricultural Business, Israeli Operating Center's Real Estate Business and Argentine Operating Center's Real Estate Business) exhibit significant variations in Revenues, Costs, Administrative and Selling expenses, Share of Profit / (Loss) of Associates, and Financial Results.

Operating results

REVENUES

Our total revenues rose by 596.6%, from Ps. 4,942 million in fiscal year 2015 to Ps. 34,425 million in fiscal year 2016. This was mainly due to the 21.6% increase in the Agricultural Business, from Ps. 2,395 million in fiscal year 2015 to Ps. 2,912 million in fiscal year 2016 and to the 1,137.3% increase in the Urban Properties and Investments Business, attributable to the Ps. 28,229 in revenues from the Operation Center in Israel for fiscal year 2016, and to the increase of 28.9% in the Operation Center in Argentina, from Ps. 2,547 million in fiscal year 2015 to Ps. 3,284 million in fiscal year 2016.

Agricultural Business

Revenues	Fiscal year ended June 30, 2016 Statement of Income (in million of Ps.)	Interests in joint ventures	Inter-segment eliminations	Segment reporting
Crops	1,101	51	-	1,152
Cattle	80	9	89	178
Dairy	65	-	-	65
Sugarcane	294	-	-	294
Agricultural Production Subtotal	1,540	60	89	1,689
Land Transformation and Sales	-	-	-	-
Agro-industrial	966	-	-	966
Others segments	167	-	12	179
Agricultural Rental and Services	40	-	38	78
Subtotal Others	1,173	-	50	1,223
Total Agricultural Business	2,713	60	139	2,912

Revenues	Fiscal Year ended June 30, 2015 Statement of Income (in million of Ps.)	Interests in joint ventures	Inter-segment eliminations	Segment reporting
Crops	964	23	-	987
Cattle	56	3	84	143
Dairy	72	-	-	72

Sugarcane	198	-	-	198
Agricultural Production Subtotal	1,290	26	84	1,400
Land Transformation and Sales	-	-	-	-
Agro-industrial	806	-	-	806
Others segments	118	-	10	128
Agricultural rental and Services	37	-	24	61
Subtotal Others	961	-	34	995
Total Agricultural Business	2,251	26	118	2,395

Total revenues rose by 20.5%, up from Ps. 2,251 million in fiscal year 2015 to Ps. 2,713 in fiscal year 2016. This was due to the following increases:

.

Ps. 137 million in the Crops segment,

.

Ps. 24 million in the Cattle segment,

.

Ps. 96 million in the Sugarcane segment,

.

Ps. 160 million in the Agro-industrial segment,

.

Ps. 49 million in Others segments, and

.

Ps. 3 million in the Agricultural Rental and Services segment; offset by a Ps. 7 million decrease in the Dairy segment.

In turn, revenues from our interests in joint ventures increased by 130.8% from Ps. 26 million in fiscal year 2015 to Ps. 60 million in fiscal year 2016, primarily as a consequence of a 121.7% increase in the Crops sold to Cresca, up from Ps. 23 million in fiscal year 2015 to Ps. 51 million in fiscal year 2016.

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Similarly, inter-segment revenues rose by 17.8%, from Ps. 118 million in fiscal year 2015 up to Ps. 139 million in fiscal year 2016, mainly as a result of livestock sales during the year to our subsidiary Sociedad Anónima Carnes Pampeanas which was reclassified from the Cattle segment to the Agro-industrial segment and to the leases of croplands between our subsidiary Brasilagro and its subsidiaries, which were reclassified from the Crops and Sugarcane segment to the Agricultural Rental and Services segment.

Hence, according to business segment reporting and considering all our joint ventures and inter-segment eliminations, revenues increased by 21.6%, up from Ps. 2,395 million in fiscal year 2015 to Ps. 2,912 million in fiscal year 2016.

Crops

Total revenues from the Crops segment increased by 16.7%, up from Ps. 987 million in fiscal year 2015 to Ps. 1,152 million in fiscal year 2016, mainly as a consequence of:

- a 20.9% increase in the average price of the Crops sold, up from Ps. 1,842 per ton in fiscal year 2015 to Ps. 2,226 per ton in fiscal year 2016, partially due to the reduction of 5% in export duties of soybean and the elimination of export duties of corn and wheat (20% and 23%, respectively);

- partially offset by a reduction of 18,175 tons in the volume of Crops sold during fiscal year 2016 compared to the previous fiscal year; a 38.8% decrease in Production volumes, from 405,882 tons in fiscal year 2015 down to 248,435 tons in fiscal year 2016.

The following table provides a breakdown of the sales of Crops:

	Sales of Crops (in tons)		
	Fiscal year ended June 30		
	2016	2015	Variation
Corn	255,162	269,701	(14,539)
Soybean	198,296	250,125	(51,829)
Wheat	46,607	7,083	39,524
Sorghum	1,007	1,569	(562)
Sunflower	10,421	5,181	5,240
Other	5,863	1,872	3,991
Total Sales	517,356	535,531	(18,175)

Cattle

Total revenues from the Cattle segment increased 24.5%, from Ps. 143 million in fiscal year 2015 to Ps. 178 million in fiscal year 2016, mainly as a consequence of:

- a 31.8% increase in the average price per kilogram sold, from Ps. 16.0 million in fiscal year 2015 to Ps. 21.2 million in fiscal year 2016;

.

offset by a 6.3% decrease in the volume of Cattle sold, down from 8,871 tons in fiscal year 2015 to 8,315 tons in fiscal year 2016.

Dairy

Total revenues from the Dairy segment dropped by 9.7%, down from Ps. 72 million in fiscal year 2015 to Ps. 65 million in fiscal year 2016, mainly as a consequence of:

.

an 8.2% reduction in the average price of milk, down from Ps. 3.55 per liter in fiscal year 2015 to Ps. 3.26 per liter in fiscal year 2016;

.

a 48.0% increase in the average price per kilogram sold of milking cows from Ps. 13.1 in fiscal year 2015 to Ps. 19.3 in fiscal year 2016;

.

a 17.7% reduction in the volume of milking cows from 903 tons in fiscal year 2015 to 743 tons in fiscal year 2016;

.

slightly offset by an 8.2% decrease in the volume of sales of milk, from 17 million liters in fiscal year 2015 to 16 million liters in fiscal year 2016.

Sugarcane

Total revenues from the Sugarcane segment increased 48.5%, from Ps. 198 million in fiscal year 2015 to Ps. 294 million in fiscal year 2016, mainly as a consequence of:

.

an increase of 295,226 tons (31.9%) in sales of sugarcane in fiscal year 2016 compared to the previous fiscal year, primarily attributable to Brasilagro; and

.

a 12.7% increase in the average price of sugarcane sold, from, from Ps. 214.0 per ton in fiscal year 2015 up to Ps. 241.2 per ton in fiscal year 2016.

Agricultural Rental and Services

Total revenues from the Agricultural Rental and Services segment increased by 27.9%, up from Ps. 61 million in fiscal year 2015 to Ps. 78 million in fiscal year 2016, mainly as a consequence of:

.

a 60.2% increase in leases, due to an increase in leases in Brazil for Ps. 10 million originating primarily in the increase in the price of soybean and an increase in Income from leases in Argentina for Ps. 4.9 million, primarily attributable to a new agreement for 1,106 hectares in La Esmeralda (Don Avelino), and an improvement in the agreement between Agro-Riego and Monsanto;

.

a 36.5% increase in revenues from the production of seeds mainly due to an increase in the prices of Crops that took place this fiscal year;

.

offset by a 16.5% decrease in revenues from irrigation services and agricultural management (Ps. 1 million) in the course of the current fiscal year compared to fiscal year 2015.

Agro-industrial

Total revenues from the Agro-industrial segment increased 19.9%, from Ps. 806 million in fiscal year 2015 to Ps. 966 million in fiscal year 2016, mainly as a consequence of:

.

a 20.0% increase in exports and a 32.1% increase in sales to the domestic market. Domestic consumption prices exhibited an upward trend and were 42.3% higher than in fiscal year 2015. The price of exports rose by 0.7% in US$ in fiscal year 2016 compared to 2015,

.

a 24.4% decrease in sales of by-products,

.

a small 3.3% reduction in slaughtering volumes, from 6,632 head per month in fiscal year 2015 to 6,415 during fiscal year 2016.

Others segments

Total revenues from Others segments rose by 39.8%, up from Ps. 128 million in fiscal year 2015 to Ps. 179 million in fiscal year 2016, mainly as a consequence of:

.

an increase of Ps. 13 million in sales on consignment, and

.

an increase of Ps. 26 million in commodity brokerage services.

Urban Properties and Investments Business

Fiscal year ended June 30, 2016

Revenues	Statement of Income	Interests in joint ventures	Inter-segment eliminations	Maintenance Fee and Common Advertising Funds	Segment reporting
	(in million of Ps.)				
Operations Center in Argentina					
Shopping Center	3,487	20	-	(1,101)	2,406
Offices and Others	421	4	8	(93)	340
Sales and Developments	(1)	4	-	-	3
Hotels	534	-	-	-	534
International	-	-	-	-	-
Financial Operations and Others	1	-	-	-	1
Total Operations Center in Argentina	4,442	28	8	(1,194)	3,284
Operations Center in Israel					
Real Estate	1,538	-	-	-	1,538
Supermarkets	18,610	-	-	-	18,610
Agrochemicals	-	-	-	-	-
Telecommunications	6,655	-	-	-	6,655
Insurance	-	-	-	-	-
Other	1,426	-	-	-	1,426
Total Operations Center in Israel	28,229	-	-	-	28,229
Total Urban Properties and Investments Business	32,671	28	8	(1,194)	31,513

	Fiscal year ended June 30 2015				
Revenues	Statement of Income	Interests in joint ventures	Inter-segment eliminations	Maintenance Fee and Common Advertising Funds	Segment reporting
	(in million of Ps.)				
Operations Center in Argentina					
Shopping Centers	2,571	13	-	(806)	1,778
Offices and Others	397	10	5	(79)	333
Sales and Developments	9	5	-	-	14
Hotels	396	-	-	-	396
International	28	-	-	(2)	26
Financial Operations and Others	-	-	-	-	-
Total Urban Properties and Investments Business	3,401	28	5	(887)	2,547

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Total revenues from the Urban Properties and Investments business increased 860.6%, from Ps. 3,401 million in fiscal year 2015 to Ps. 32,671 million in fiscal year 2016, of which Ps. 28,229 million are derived from the Israeli Operating Center, and Ps. 4,442 million are derived from the Operation Center in Argentina. Considering Operation Center in Argentina variation was due to the a Ps. 916 million increase in the Shopping Center segment, a Ps. 24 million increase in the Offices and Others segment, a Ps. 138 million increase in the Hotels segment, a Ps. 1 million increase in the Financial Operations and Others segments, offset by a Ps. 28 million decrease in the International segment and a Ps. 10 million drop in the Sales and Developments segment.

In turn, revenues from our interests in joint ventures did not exhibit significant variations when considering fiscal years 2016 and 2015. Our joint venture Nuevo Puerto de Santa Fe S.A. posted an increase in revenues but it was offset by a decrease in revenues posted by our joint venture Quality S.A.

Inter-segment revenues rose by 60.0%, up from Ps. 5 million during fiscal year 2015 to Ps. 8 million during fiscal year 2016, both attributed to the Offices and Others segment.

In addition, revenues from Maintenance Fee and Common Advertising Funds rose by 34.6%, from Ps. 887 million during fiscal year 2015 (of this amount, there are Ps. 806 million attributed to the Shopping Centers segment) to Ps. 1,194 million during fiscal year 2016 (of this amount, there are Ps. 1,101 million attributed to the Shopping Centers segment).

Hence, according to business segment reporting and considering all our joint ventures, inter-segment eliminations, and maintenance fee and common advertising funds, revenues increased 1,137.3%, from Ps. 2,547 million in fiscal year 2015 to Ps. 31,513 million in fiscal year 2016 (of which Ps. 28,229 million are derived from the Operation Center in Israel and Ps. 3,284 million are derived from the Operation Center in Argentina). Without considering the revenues from the Operation Center in Israel, revenues, pursuant to business segment reporting, grew by 28.9%.

Operation Center in Argentina

Shopping Center

Revenues from the Shopping Centers segment increased 35.3%, from Ps. 1,778 million during fiscal year 2015 to Ps. 2,406 million during fiscal year 2016. Such variation was mostly attributable to:

- an increase of Ps. 465 million in revenues from fixed and variable rentals as a result of a 34% increase in our tenants' sales, from Ps. 21,509 million during fiscal year 2015 to Ps. 28,905 million during fiscal year 2016;
- a Ps. 52 million increase in revenues from admission fees;
- a Ps. 41 million increase in parking revenues, and
- a Ps. 34 million increase in revenues from commissions and other.

Offices and Others

Revenues from the Offices and Others segment increased 2.1%, up from Ps. 333 million in fiscal year 2015 to Ps. 340 million in fiscal year 2016. Such revenues were impacted by the partial sale of investment properties during fiscal year 2016, which resulted in a reduction of the segment total leasable area.

Considering comparable properties in both fiscal years, rental revenues from properties which did not experience a decrease in their leasable area increased by 34.0%, up from Ps. 200 million during the fiscal year ended on June 30, 2015 to Ps. 268 million during the fiscal year ended on June 30, 2016, mainly due to the depreciation of the peso while revenues from properties which leasable area was reduced went down by 49.5%, from Ps. 111 million during fiscal year 2015 to Ps. 56 million during fiscal year 2016.

As of year-end, the 2016 average occupancy rate of premium offices stood at 97.7% and the average rent was around US$ 27 per sqm.

Sales and Developments

There are significant variations in the revenues earned in this segment from one fiscal year to the other. Without considering our joint ventures, revenues from the Sales and Developments segment decreased by 111.1% from Ps. 9 million during fiscal year 2015 to a loss of Ps. 1 million during fiscal year 2016. Such reduction was mainly attributable to reduced revenues from the sale of the Condominios I and II (Ps. 7 million). Hence, total revenues derived from this segment fell by 78.6%, down from Ps. 14 million during fiscal year 2015 to Ps. 3 million during fiscal year 2016.

Hotels

Revenues from our Hotels segment increased by 34.8% from Ps. 396 million during fiscal year 2015 to Ps. 534 million during fiscal year 2016, primarily attributable to a 34.4% increase in the average room rate of our hotels (measured in Argentine Pesos).

International

Revenues from the International segment decreased by 100% vis-à-vis the Ps. 26 million posted during fiscal year 2015 because we sold the Madison 183 building during fiscal year 2015.

Financial Operations and Others

Revenues from the Financial Operations and Others segments did not exhibit significant variations for the periods presented.

Operations Center in Israel

Real Estate.

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

Supermarkets.

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

Telecommunications.

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

Others.

During fiscal year 2016, revenues from the Others segment totaled Ps. 1,426 million.

COSTS

Our total costs rose by 520.5%, from Ps. 4,052 million in fiscal year 2015 to Ps. 25,141 million in fiscal year 2016. This was mainly as a result of an 11.8% increase in the Agriculture business, from Ps. 3,419 million in fiscal year 2015 to Ps. 3,821 million in fiscal year 2016, and to the 3,268.1% increase in the Urban Properties and Investments Business, due to costs for Ps. 20,481 from the Operation Center in Israel for the fiscal year 2016; and a 32.5% increase in the Operation Center in Argentina, from Ps. 633 million in fiscal year 2015 to Ps. 839 million in fiscal year 2016.

Agricultural Business

Costs	Fiscal year ended June 30, 2016 Statement of Income (in million of Ps.)	Interests in joint ventures	Inter-segment eliminations	Segment reporting
Crops	(1,698)	(80)	(35)	(1,813)
Cattle	(255)	(13)	-	(268)
Dairy	(135)	-	-	(135)
Sugarcane	(494)	-	(17)	(511)
Agricultural Production subtotal	(2,582)	(93)	(52)	(2,727)
Land Transformation and Sales	(9)	-	-	(9)
Agro-industrial	(836)	-	(89)	(925)
Others segments	(140)	-	-	(140)

Agricultural rental and Services	(20)	-	-	(20)
Subtotal Others	(996)	-	(89)	(1,085)
Total Agricultural Business	(3,587)	(93)	(141)	(3,821)

Costs	Fiscal Year ended June 30, 2015 Statement of Income (in million of Ps.)	Interests in joint ventures	Inter-segment eliminations	Segment reporting
Crops	(1,744)	(42)	(33)	(1,819)
Cattle	(220)	(5)	-	(225)
Dairy	(133)	-	-	(133)
Sugarcane	(368)	-	-	(368)
Agricultural Production subtotal	(2,465)	(47)	(33)	(2,545)
Land Transformation and Sales	(9)	-	-	(9)
Agro-industrial	(654)	-	(85)	(739)
Others segments	(105)	-	-	(105)
Agricultural rental and Services	(21)	-	-	(21)
Subtotal Others	(780)	-	(85)	(865)
Total Agricultural Business	(3,254)	(47)	(118)	(3,419)

Total costs increased by 10.2%, from Ps. 3,254 million in fiscal year 2015 to Ps. 3,587 million in fiscal year 2016.This was primarily attributable to the following increases:

.

Ps. 35 million in the Cattle segment,

.

Ps. 2 million in the Dairy segment,

132

.

Ps. 126 million in the Sugarcane segment,

.

Ps. 182 million in the Agro-industrial segment,

.

Ps. 35 million in the segment Other; offset by a Ps. 46 million reduction in the Crops segment, and Ps. 1 million in the Agricultural Rental and Services segment.

In turn, the cost of our joint ventures experienced a net increase of Ps. 46 million, from 47 million in fiscal year 2015 up to Ps. 93 million in fiscal year 2016, mainly as a result of a Ps. 38 million increase in the costs of Cresca's Crops, from Ps. 42 million in fiscal year 2015 to Ps. 80 million in fiscal year 2016.

Similarly, inter-segment costs rose by Ps. 23 million, up from Ps. 118 million in fiscal year 2015 to Ps. 141 million in fiscal year 2016, primarily attributable to the cost of Cattle sales during the year to our subsidiary Sociedad Anónima Carnes Pampeanas which was reclassified from the Cattle segment to the Agro-industrial segment and to the leases of cropland between our subsidiary Brasilagro and its subsidiaries, which are reclassified from the Crops and Sugarcane segments to the Agricultural Rental and Services segment.

Hence, according to business segment reporting and considering all our joint ventures, and the Inter-segment eliminations, costs grew by 11.8%, from Ps. 3,419 million in fiscal year 2015 to Ps. 3,821 million in fiscal year 2016.

Crops

Total costs from the Crops segment decreased by 0.4%, from Ps. 1,819 million in fiscal year 2015 to Ps. 1,813 million in fiscal year 2016. The costs from the Crops segment have been broken down in the following table:

	Fiscal year 2016	Fiscal year 2015
	In million Pesos	
Cost of sales	952	873
Cost of production	861	946
Total Costs	1,813	1,819

Costs of sales in the Crops segment increased by 9.0%, from Ps. 873 million in fiscal year 2015 to Ps. 952 million in fiscal year 2016, mainly as a consequence of:

.

a 3.4% decrease in the volume of tons sold as compared to the previous fiscal year; and

.

slightly offset by a 12.8% increase in the average cost per ton of grain sold in fiscal year 2016, up from Ps. 1,631 in fiscal year 2015 to Ps. 1,840 in fiscal year 2016, due to a higher market price in Crops.

The cost of sales as a percentage of sales was 88.5% in fiscal year 2015 and 82.6% in fiscal year 2016.

The cost of production in the Crops segment fell by 9.0% from Ps. 946 million in fiscal year 2015 to Ps. 861 million in fiscal year 2016, mainly as a consequence of:

.

an 11.0% reduction in direct production costs during this fiscal year compared to the previous fiscal year, primarily attributable to the smaller quantity of hectares sown in the 2015-2016 season (a 47.1% decrease compared to the previous season);

.

a smaller volume of production in fiscal year 2016 compared to the fiscal year 2015;

.

a larger number of hectares in operation in own farms in fiscal year 2016 compared to the fiscal year 2015.

Total direct production costs per ton increased by 45.4%, from Ps. 1,899 per ton in fiscal year 2015 to Ps. 2,760 per ton in fiscal year 2016, mainly as a result of decreased yields and higher production costs in fiscal year 2016 compared to the fiscal year 2015.

Cattle

Total costs in the Cattle segment rose by 19.1%, from Ps. 225 million in fiscal year 2015 to Ps. 268 million in fiscal year 2016. The following table shows the costs in the Cattle segment:

	Fiscal year 2016	Fiscal year 2015
	In million Pesos	
Cost of sales	136	122
Cost of production	132	103
Total Costs	268	225

Cost of sales increased 11.5%, from Ps. 122 million in fiscal year 2015 to Ps. 136 million in fiscal year 2016, mainly as a consequence of:

.

an increase in the cost per kilogram sold in fiscal year 2016 (19.5%); and

.

a 6.2% decrease in beef sales volumes in fiscal year 2016.

Costs of production in the Cattle segment rose by 28.2%, from Ps. 103 million in fiscal year 2015 to Ps. 132 million in fiscal year 2016. The higher cost of production from the Cattle segment in fiscal year 2016 was mainly attributable to:

.

smaller payroll expenses;

.

higher feeding costs (34.6% compared to fiscal year 2015) resulting from a higher quantity of head in the feedlot, and an 8% increase in the average cost of feedstuff.

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Dairy

Total Costs in the Dairy segment rose by 1.5%, from Ps. 133 million in fiscal year 2015 to Ps. 135 million in fiscal year 2016. The following table contains a breakdown of costs in the Dairy segment:

	Fiscal year 2016	Fiscal year 2015
	In million Pesos	
Cost of sales	61	68
Cost of production	74	65
Total Costs	135	133

Cost of sales in the Dairy segment fell by 10.3%, from Ps. 68 million in fiscal year 2015 to Ps. 61 million in fiscal year 2016, mainly as a consequence of:

.
a 42.3% increase in the cost of sales of milking cows, from Ps. 10.9 per kg in fiscal year 2015 to Ps. 15.5 per kg in fiscal year 2016,

.
offset by an 8.6% decrease in the cost of Milk, from Ps. 3.5 per liter in fiscal year 2015 to Ps. 3.2 per liter in fiscal year 2016,

.
a 17.7% reduction in the sales volume of milking cows;

.
an 8.2% decrease in milk sales volume.

Costs of production in the Dairy segment increased by 14.7%, from Ps. 65 million in fiscal year 2015 to Ps. 74 million in fiscal year 2016. This increase was primarily attributable to the impact of increased feeding, health and prairie costs.

Sugarcane

Total Costs in the Sugarcane segment rose by 38.9%, from Ps. 368 million in fiscal year 2015 to Ps. 511 million in fiscal year 2016. The following table contains a breakdown of costs in the Sugarcane segment:

	Fiscal year 2016	Fiscal year 2015
	In million Pesos	
Cost of sales	263	188
Cost of production	248	180
Total Costs	511	368

Costs of sales in the Sugarcane segment rose by 39.9%, de Ps. 188 million in fiscal year 2015 to Ps. 263 million in fiscal year 2016, mainly as a consequence of:

.

an increase of 295,226 tons of sugarcane sold in fiscal year 2016 compared to the previous fiscal year, primarily attributable to our subsidiary Brasilagro; and

.

an increase in the average cost per ton of sugarcane sold in fiscal year 2016, from Ps. 204 per ton in fiscal year 2015 to Ps. 216 per ton in fiscal year 2016.

Costs of sales as a percentage of sales was 94.9% in fiscal year 2015 and 89.5% in fiscal year 2016.

The cost of production of the Sugarcane segment increased 37.8%, from Ps. 180 million in fiscal year 2015 to Ps. 248 million in fiscal year 2016, mainly as a result of a higher production volume in fiscal year 2016 compared to the fiscal year 2015.

Total production costs per ton increased by 4.1%, from Ps. 194 per ton in fiscal year 2015 to Ps. 202 per ton in fiscal year 2016.

Agricultural Rental and Services

Total Costs in the Agricultural Rental and Services segment shrank by 4.8%, from Ps. 21 million in fiscal year 2015 to Ps. 20 million in fiscal year 2016, mainly as a consequence of:

.

a Ps. 2 million (42.3%) reduction in irrigation service costs, compared to Fiscal year 2015.

.

Partially offset by an increase of Ps. 1 million in feedlot lease and services costs, in Brasilagro and Cresud, respectively.

Land Transformation and Sales

Total Costs in the Land Transformation and Sales segment remained stable at Ps. 9 million in both fiscal years.

Agro-industrial

Total Costs in the Agro-industrial segment rose by 25.2%, from Ps. 739 million in fiscal year 2015 to Ps. 925 million in fiscal year 2016, due to an inflationary context that hindered the increase in gross marginal contribution. The reason for this increase is to be found in the increase of costs to acquire Cattle and to a lesser extent in the increase in labor.

Others segments

Total Costs in the Others segments rose by 33.3%, from Ps. 105 million in fiscal year 2015 to Ps. 140 million in fiscal year 2016, primarily as a result of increased costs in the brokerage business related to commodity trading transactions through FyO, and increased costs for consignment, by 71.4% and 97.2%, respectively.

Urban Properties and Investments Business

	Fiscal year ended June 30 2016				
Costs	Statement of Income	Interests in joint ventures	Inter-segment eliminations	Maintenance Fee and Common Advertising Funds	Segment reporting
	(in million of Ps.)				
Operations Center in Argentina					
Shopping Centers	(1,505)	(5)	(6)	1,113	(403)
Offices and Others	(139)	(8)	-	94	(53)
Sales and Developments	(15)	(5)	-	-	(20)
Hotels	(362)	-	-	-	(362)
International	-	-	-	-	-
Financial Operations and Others	(1)	-	-	-	(1)
Total Operations Center in Argentina	(2,022)	(18)	(6)	1,207	(839)
Operations Center in Israel					
Real Estate	(837)	-	-	-	(837)
Supermarkets	(13,925)	-	-	-	(13,925)
Agrochemicals	-	-	-	-	-
Telecommunications	(4,525)	-	-	-	(4,525)
Insurance	-	-	-	-	-
Other	(1,194)	-	-	-	(1,194)
Total Operations Center in Israel	(20,481)	-	-	-	(20,481)
Total Urban Properties and Investments Business	(22,503)	(18)	(6)	1,207	(21,320)

	Fiscal year ended June 30 2015
Costs	

	Statement of Income	Interests in joint ventures	Inter-segment eliminations	Maintenance Fee and Common Advertising Funds	Segment reporting
	(in million of Ps.)				
Operations Center in Argentina					
Shopping Centers	(1,103)	(4)	(4)	820	(291)
Offices and Others	(110)	(5)	-	79	(36)
Sales and Developments	(14)	(5)	-	-	(19)
Hotels	(279)	-	-	-	(279)
International	(9)	-	-	2	(7)
Financial Operations and Others	(1)	-	-	-	(1)
Total Urban Properties and Investments Business	(1,516)	(14)	(4)	901	(633)

Costs of sales in our Urban Properties and Investments Business rose by 1,384.4%, from Ps. 1,516 million in fiscal year 2015 to Ps. 22,503 million in fiscal year 2016, of which Ps. 20,481 million are derived from the Operation Center in Israel, and Ps. 2,022 million are derived from the Operation Center in Argentina. Considering Operation Center in Argentina variation was due to an increase of Ps. 402 million in the Shopping Center segment, an increase of Ps. 29 million in the Offices and Others segment, a Ps. 1 million increase in the Sales and Developments segment, an increase of Ps. 83 million in the Hotels segment, offset by a Ps. 9 million decrease in the International segment; whilst the Financial Operations and Others segments did not experience significant variations.

In turn, the costs corresponding to maintenance fees and Common Advertising Funds costs increased 34.0%, from Ps. 901 million in fiscal year 2015 to Ps. 1,207 million in fiscal year 2016 mainly due to the maintenance fees and Common Advertising Funds expenses afforded by the Shopping Center, which rose by 35.7%, from Ps. 827 million during fiscal year 2015 to Ps. 1,113 million during fiscal year 2016, as a consequence of: (i) an increase in advertising expenses of Ps. 112 million, (ii) an increased charge for salaries and wages, social security contributions and other payroll expenses amounting to Ps. 103 million; (iii) an increase in maintenance, security, cleaning, repair and similar expenses amounting to Ps. 101 million (mainly stemming from increases in security and cleaning services and in the rates for public utilities), (iv) an increase in taxes, rates and contributions and other expenses amounting to Ps. 25 million and (v) an increase in other expenses for Ps. 42 million (primarily due to the absorption of the deficit in Common Advertising Funds and common maintenance fees). In addition, the variation was due to: II) an increase in the Common maintenance fees expenses incurred by the Offices and Others segment, which rose by Ps. 54 million, up from Ps. 28 million during fiscal year 2015 to Ps. 82 million during fiscal year 2016, primarily attributable to the acquisition of new buildings (maintenance, cleaning and lease expenses and common maintenance fees and other for Ps. 36 million, expenses associated to salaries and wages and social security contributions for Ps. 11 million and taxes, rates and contributions and utilities for Ps. 9 million).

In addition, costs from our joint ventures experienced a net decrease of 28.6%, down from Ps. 14 million during fiscal year 2015 to Ps. 18 million during fiscal year 2016.

Finally, costs from inter-segment operations rose by 50.0%, up from Ps. 4 million during fiscal year 2015 to Ps. 6 million during fiscal year 2016.

Hence, according to the business segment information relayed in the framework of segment reporting and considering all our joint ventures, and the Inter-segment eliminations, costs rose by 3268.1%, up from Ps. 633 million in fiscal year 2015 to Ps. 21,320 million in fiscal year 2016 (of which Ps. 20,481 million are attributable to the Operation Center in Israel and Ps. 839 million to the Operation Center in Argentina). Without considering the costs from the Operation Center in Israel, costs rose by 32.5%.

Operation Center in Argentina

Shopping Centers

Costs in the Shopping Centers segment rose by 38.5%, from Ps. 291 million during fiscal year 2015 to Ps. 403 million during fiscal year 2016.

The reasons for this increase are to be found mainly in: (i) an increased charge for depreciations and amortizations in the amount of Ps. 56 million; (ii) an increased cost corresponding to rentals and common maintenance fees in the amount of Ps. 30 million; (iii) an increase in maintenance, security, cleaning, repair and similar expenses for Ps. 10 million (mainly stemming from increases in security and cleaning services and in the rates for public utilities); and (iv) an increase of salaries and wages, social security contributions and other payroll expenses in the amount of Ps.10 million, amongst other items.

Costs in the Shopping Centers segment, measured as a percentage of the revenues derived from this segment rose from 16.4% during fiscal year 2015 to 16.7% in the fiscal year ended on June 30, 2016.

Offices and Others

Total Costs in the Offices and Others segment rose by 47.2%, from Ps. 36 million during fiscal year 2015 to Ps. 53 million during fiscal year 2016. (i) an increase in maintenance, security, cleaning, repair and similar expenses in the amount of Ps. 7 million; (ii) an increased cost corresponding to rentals and common maintenance fees for Ps. 6 million and; (iii) an increased charge for depreciations and amortizations in the amount of Ps. 5 million. This variation is affected by the partial sales of investment properties for rental that took place during fiscal year 2016.

Costs attributable to non-comparable properties rose by 4.0%, from Ps. 9 million to Ps. 10 million. In turn, the costs that consider comparable properties in both fiscal years for failure to submit partial sales rose by 76.8%, from Ps. 24 million to Ps. 42 million, primarily attributable to increased maintenance costs.

Total Costs in the Offices and Others segment, measured as a percentage of the revenues derived from this segment, rose from 10.8% during fiscal year 2015 to 15.6% during fiscal year 2016.

Sales and Developments

Costs attributable to this segment often vary significantly period over period, given that some of the sales consummated by us are non-recurrent. Without considering our joint ventures, costs associated to our Sales and Developments segment rose by 7.1%, from Ps. 14 million during fiscal year 2015 to Ps. 15 million during fiscal year 2016.

Costs in the Sales and Developments segment, measured as a percentage of the revenues derived from this segment, rose from 135.7% during fiscal year 2015 to 666.7% during fiscal year 2016.

Hotels

Costs in the Hotels segment increased by 29.7%, from Ps. 279 million during fiscal year 2015 to Ps. 362 million during fiscal year 2016, mainly as a consequence of:

- an increase of Ps. 52 million in salaries and wages, social security contributions and other payroll expenses;
- an increase of Ps. 19 million in maintenance and repair expenses and;
- increased charges for Ps. 7 million and Ps. 5 million as fees for services and as food, beverages and other hotel expenses, respectively.

Costs in the Hotels segment, measured as a percentage of the revenues derived from this segment decreased from 70.5% during fiscal year 2015 to 67.8% during fiscal year 2016.

International

Costs in the International segment shrank by 100%, compared to the Ps. 7 million posted during fiscal year 2015 on account of the sale consummated in the year 2015 of the Madison 183 building which was previously held as a rental property.

Costs in the Financial Transaction and Others segments, measured as a percentage of the revenues derived from this segment do not exhibit significant percentage figures.

Financial Operations and Others

Costs in the Financial Operations and Others segments remained stable at Ps. 1 million in both fiscal years.

Costs in the Financial Operations and Others, measured as a percentage of the revenues derived from this segment do not exhibit significant percentage figures.

Operations Center in Israel

Real Estate.

During fiscal year 2016, costs from the Real Estate segment totaled Ps. 837 million. Costs, as a percentage of the revenues, amounted to 54.4%.

Supermarkets.

During fiscal year 2016, costs from the Supermarkets segment totaled Ps. 13,925 million. Costs, as a percentage of the revenues, amounted to 74.8%.

Telecommunications.

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

Others.

During fiscal year 2016, costs from the Others segment totaled Ps. 1,194 million. Costs, as a percentage of the revenues derived from this segment, amounted to 83.7%.

Initial recognition and changes in the fair value of biological assets and agricultural products at the point of harvest

	Fiscal year ended June 30, 2016			
Initial recognition and changes in the fair value of biological assets and agricultural products at the point of harvest	Statement of Income	Interests in joint ventures	Inter-segment eliminations	Segment reporting
	(in million of Ps.)			
Crops	1,017	54	-	1,071
Cattle	251	3	-	254
Dairy	74	-	-	74
Sugarcane	318	-	-	318
Agricultural Production Subtotal	1,660	57	-	1,717

Land Transformation and Sales	-	-	-	-
Agro-industrial	-	-	-	-
Others segments	-	-	-	-
Agricultural rental and Services	-	-	-	-
Subtotal Others	-	-	-	-
Total Agricultural Business	1,660	57	-	1,717

	Fiscal Year ended June 30, 2015			
Initial recognition and changes in the fair value of biological assets and agricultural products at the point of harvest	Statement of Income	Interests in joint ventures	Inter-segment eliminations	Segment reporting
	(in million of Ps.)			
Crops	897	21	-	918
Cattle	165	2	-	167
Dairy	75	-	-	75
Sugarcane	187	-	-	187
Agricultural Production Subtotal	1,324	23	-	1,347
Land Transformation and Sales	-	-	-	-
Agro-industrial	-	-	-	-
Others segments	-	-	-	-
Agricultural rental and Services	-	-	-	-
Subtotal Others	-	-	-	-
Total Agricultural Business	1,324	23	-	1,347

Our revenues from Initial recognition and changes in the fair value of biological assets and agricultural products at the point of harvest increased 25.4%, from Ps. 1,324 million in fiscal year 2015 to Ps. 1,660 million in fiscal year 2016.

In turn, our revenues from Initial recognition and changes in the fair value of biological assets and agricultural products at the point of harvest derived from our interests in joint ventures increased 147.8% from Ps. 23 million in fiscal year 2015 to Ps. 57 million in fiscal year 2016.

In addition, there were no inter-segment eliminations in connection with revenues from Initial recognition and changes in the fair value of biological assets and agricultural products at the point of harvest.

Hence, according to business segment reporting and considering all our joint ventures, revenues from Initial recognition and changes in the fair value of biological assets and agricultural products at the point of harvest grew by 27.5%, from Ps. 1,347 million in fiscal year 2015 to Ps. 1,717 million in fiscal year 2016.

Crops

Income from production in the Crops segment rose by 16.7%, from Ps. 918 million in fiscal year 2015 to Ps. 1,071 million in fiscal year 2016, mainly as a consequence of:

.
a 38.8% decrease in total production, from 405,882 tons in fiscal year 2015 down to 248,435 tons in fiscal year 2016;

.
partially offset by a 33.8% increase in the average Price for the production of Crops; and

.
a 654.1% increase in the expected revenues.

As of June 30, 2016, the harvested area was 97.1% of our total sown area, compared to 100% as of June 30, 2015.

The following table shows the number of tons produced and total production income as of June 30, 2016 and 2015:

Revenues from the production of Crops (in tons and million Pesos)

	Fiscal year ended June 30,			
	2016		2015	
	Tons	Pesos	Tons	Pesos
Corn	55,475	82	92,093	84
Soybean	169,592	520	279,356	625
Wheat	16,181	11	16,211	13
Sorghum	829	1	1,202	1
Sunflower	3,056	9	11,720	27
Other	3,302	8	5,300	20
Total	248,435	631	405,882	770

Estimated results from the valuation of our crops in progress at fair value rose by 654.1%, from Ps. 49 million in fiscal year 2015 to Ps. 369 million in fiscal year 2016, due to the 722.4% increase in corn crops.

Cattle

Income from production in the Cattle segment rose by 52.1%, from Ps. 167 million in fiscal year 2015 to Ps. 254 million in fiscal year 2016, mainly as a consequence of:

- a 19.3% increase in the average price per kilogram produced, from Ps. 14.8 per kilogram in fiscal year 2015 to Ps. 17.6 per kilogram in fiscal year 2016;

- a slight 1.6% decrease in beef production, from 7,905 tons in fiscal year 2015 to 7,781 tons in fiscal year 2016;

- offset by a 137.2% increase in holding results.

The calving rate decreased by 12.1%, whereas the death rate decreased by 4.4% during fiscal year 2016 compared to fiscal year 2015.

The number of hectares devoted to Cattle production decreased from 88,643 hectares in fiscal year 2015 to 85,392 hectares in fiscal year 2016, due to a smaller number of leased land devoted to Cattle production.

Dairy

Income from production in the Dairy segment decreased by 1.3%, from Ps. 75 million in fiscal year 2015 to Ps. 74 million in fiscal year 2016. This decrease was mainly due to:

- the result from holding of milking cows, which increased by 46.9%, up from a gain of Ps. 8.9 million in fiscal year 2015 to a gain of Ps. 13.1 million in fiscal year 2016, as the inflationary context led to a significant rise in prices;

.
a 7.8% decrease in the average price of milk, from Ps. 3.42 per liter in fiscal year 2015 to Ps. 3.15 per liter in fiscal year 2016;

.
a 6.2% decrease in the production of milking cows offset by a 78.6% increase in average price,

.
a 7.1% decrease in the milk production volume, from 17.5 million of liters in fiscal year 2015 to 16.3 million of liters during this fiscal year. This reduction in production volume was mainly due to a lower average number of milking cows per day, from 2,189 milking cows per day in fiscal year 2015 to 1,788 milking cows per day in fiscal year 2016, partially offset by a 10.8% increase in the efficiency level of average daily milk production per cow, from 21.5 liters per cow in fiscal year 2015 to 23.8 liters per cow in fiscal year 2016.

Sugarcane

Income from production in the Sugarcane segment rose by 70.1%, from Ps. 187 million in fiscal year 2015 to Ps. 318 million in fiscal year 2016, mainly as a consequence of:

.
a 32.4% increase in total production volume from 928,273 tons in fiscal year 2015 to 1,228,830 tons in fiscal year 2016; and

.
a 19.0% increase in the average production price of sugarcane.

The 32.4% increase in the production volume from the Sugarcane segment was attributable to a 19.0% increase in the average price of production, which went from Ps. 199.5 per ton up to Ps. 237.4 per ton in fiscal year 2016.

The following table shows the actual tons produced and income as of June 30, 2016 and 2015:

Revenues from the production of Sugarcane (In tons and million Pesos)

	Fiscal year ended June 30,			
	2016		2015	
	Tons	Pesos	Tons	Pesos
Sugarcane	1,228,830	292	928,273	185

Estimated results from the valuation of our sugarcane crops in progress at fair value

Estimated results from the valuation of our sugarcane crops in progress at fair value increased significantly from a gain of Ps. 2 million in fiscal year 2015 to Ps. 27 million in fiscal year 2016 mainly generated by Brasilagro. This variation originated mainly in Brazil, and was caused by the following factors:

.

the number of estimated hectares went up from a year-on-year increase of 33.4% in fiscal year 2015 to a year-on-year increase of 0.4% in fiscal year 2016;

.

the estimated yields went up from a year-on-year increase of 2.4% in the fiscal year 2015 to a year-on-year increase of 3.2% for the fiscal year 2016; and

.

the estimated unit costs went down from a year-on-year increase of 10.0% in fiscal year 2015 to a year-on-year increase of 6.4% in fiscal year 2016.

Changes in the net realizable value of agricultural products after harvest

	Fiscal year ended June 30, 2016			
Changes in the net realizable value of agricultural products after harvest	Statement of Income	Interests in joint ventures	Inter-segment eliminations	Segment reporting
	(in million of Ps.)			
Crops	208	-	-	208
Cattle	-	-	-	-
Dairy	-	-	-	-
Sugarcane	-	-	-	-
Agricultural Production Subtotal	208	-	-	208
Land Transformation and Sales	-	-	-	-
Agro-industrial	-	-	-	-
Others segments	-	-	-	-
Agricultural rental and Services	-	-	-	-
Subtotal Others	-	-	-	-
Total Agricultural Business	208	-	-	208

	Fiscal Year ended June 30 2015			
Changes in the net realizable value of agricultural products after harvest	Statement of Income	Interests in joint ventures	Inter-segment eliminations	Segment reporting
	(in million of Ps.)			
Crops	(34)	-	-	(34)
Cattle	-	-	-	-
Dairy	-	-	-	-
Sugarcane	-	-	-	-
Agricultural Production Subtotal	(34)	-	-	(34)
Land Transformation and Sales	-	-	-	-
Agro-industrial	-	-	-	-
Others segments	-	-	-	-
Agricultural rental and Services	-	-	-	-
Subtotal Others	-	-	-	-
Total Agricultural Business	(34)	-	-	(34)

Income from Changes in the net realizable value of agricultural products after harvest increased significantly, from a loss of Ps. 34 million in fiscal year 2015 to income for Ps. 208 million in fiscal year 2016. In Argentina, it stems above all from a widespread price increase in late December caused by the suppression/reduction of withholdings on the agricultural industry, the major devaluation determined by the new government and today's current free floating exchange rate market.

There were neither interest in joint ventures nor inter-segment eliminations in income from changes in the net realizable value of agricultural products after harvest.

Gross profit

As a result of the above mentioned factors, our gross profit increased 408.8%, from Ps. 2,203 million in fiscal year 2015 to Ps. 11,209 million in fiscal year 2016, which was primarily attributable to:

.

a 251.6% increase in the Agricultural Business, from income for Ps. 289 million in fiscal year 2015 to income for Ps. 1,016 million in fiscal year 2016;

.

income for Ps. 7,748 provided by the Operation Center in Israel at the Urban Properties and Investments Business; and

.

a 27.7% increase in the Operation Center in Argentina at the Urban Properties and Investments Business, from Ps. 1,914 million in fiscal year 2015 to Ps. 2,445 million in fiscal year 2016.

Agricultural Business

As a result of the above mentioned factors, gross profit increased by 251.6%, from Ps. 289 million in fiscal year 2015 to Ps. 1,016 million in fiscal year 2016.

Crops

Gross profit from this segment increased by 1,088.5%, from Ps. 52 million in fiscal year 2015 to Ps. 618 million in fiscal year 2016.

Cattle

Gross profit from this segment increased by 92.9%, from Ps. 85 million in fiscal year 2015 to Ps. 164 million in fiscal year 2016.

Dairy

Gross profit from this segment decreased by 71.4%, from Ps. 14 million in fiscal year 2015 to Ps. 4 million in fiscal year 2016.

Sugarcane

Gross profit from this segment increased by 494.1%, from Ps. 17 million in fiscal year 2015 to Ps. 101 million in fiscal year 2016.

Agricultural Rental and Services

Gross profit from this segment increased by 45.0%, from Ps. 40 million in fiscal year 2015 to Ps. 58 million in fiscal year 2016.

Land Transformation and Sales

Gross loss from this segment remained stable at Ps. 9 million in both fiscal years.

Agro-industrial

Gross profit from this segment decreased by 38.8% from Ps. 67 million in fiscal year 2015 to Ps. 41 million in fiscal year 2016.

Other

Gross profit from this segment increased by 69.6%, from Ps. 23 million in fiscal year 2015 to Ps. 39 million in fiscal year 2016.

Urban Properties and Investments Business

Gross profit in Urban Properties and Investments Business rose by 432.5% from Ps. 1,914 million in fiscal year 2015 to Ps. 10,193 million in fiscal year 2016. This was mainly due to the income obtained through the Operation Center in Israel for Ps. 7,748 million and a 27.7% increase in the Operation Center in Argentina, from Ps. 1,914 million in fiscal year 2015 to Ps. 2,445 million in fiscal year 2016.

Operation Center in Argentina

Shopping Center

Gross profit from the Shopping Centers segment increased by 34.7% up from Ps. 1,487 million for the fiscal year 2015 to Ps. 2,003 million during fiscal year 2016 mainly due to an increase in our tenants' total sales, resulting in higher lease payments as a percentage of volume sales. Gross profit from the Shopping Centers segment as a percentage of this segment's revenues experienced a slight decline from 83.6% during fiscal year 2015 to 83.3% during fiscal year 2016.

Offices and Others

Gross profit from the Offices and Others segment fell by 3.4% from Ps. 297 million for the fiscal year 2015 down to Ps. 287 million in fiscal year 2016. Gross profit for the Offices and Others segment as a percentage of this segment's revenues decreased from 89.2% during fiscal year 2015 to 84.4% during fiscal year 2016.

Sales and Developments

Gross income/(loss) from the Sales and Developments segment rose by 240.0% from a loss of Ps. 5 million for fiscal year 2015 to a loss of Ps. 17 million during fiscal year 2016, mainly due to lower sales accounted for during fiscal year 2016 and an increase in maintenance and preservation costs in connection with these properties.

Hotels

Gross profit from the Hotels segment increased by 47.0% up from Ps. 117 million for the fiscal year 2015 to Ps. 172 million during fiscal year 2016. Gross profit for the Hotels segment, as a percentage of this segment's revenues, rose from 29.5% during fiscal year 2015 to 32.2% during fiscal year 2016.

International

Gross profit from the International segment decreased by 100%, compared to the Ps. 19 million posted during fiscal year 2015.

Financial Operations and Others

There were no significant variations between the Income/(loss) from our Financial Operations and Others segment between the periods presented.

Operations Center in Israel

Real Estate.

During fiscal year 2016, gross profit from the Real Estate segment totaled Ps. 701 million. Gross profit, as a percentage of the segment revenues, amounted to 45.6%.

Supermarkets.

During fiscal year 2016, gross profit from the Supermarkets segment totaled Ps. 4,685 million. Gross profit, as a percentage of the segment revenues, amounted to 25.2%.

Shufersal's results in the first half of the calendar year 2016 were affected by the following key factors:

- Continued increased efficiency with respect to real estate.

- Gradual launch of the new logistical center in Shoham, which began operating in February 2016.

- Shufersal is continuing to prepare strategies for various scenarios in connection with the change in ownership of the Mega chain in the city centers.

- Continued acceleration of the development of Shufersal's digital platform, which primarily included the Shufersal Online, including the opening of designated warehouses.

- Continued building of its private brand.

Telecommunications.

During fiscal year 2016, gross profit from the Telecommunications segment totaled Ps. 2,130 million. Gross profit, as a percentage of the segment revenues, amounted to 32.0%.

Others.

During fiscal year 2016, gross profit from the Others segment totaled Ps. 232 million. Gross profit, as a percentage of the segment revenues, amounted to 16.3%.

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Gain from disposal of investment properties

Gain from disposal of investment properties derived from our Sales and Developments segment experienced a 4.3% decrease from Ps. 1,150 million during fiscal year 2015 to Ps. 1,101 million during fiscal year 2016 (of which Ps. 1,056 million are attributable to the Operation Center in Argentina and Ps. 45 million to Operation Center in Israel). Without considering the effect of the Operation Center in Israel, total gain from the disposal of investment properties fell by 8.2%.

Gain from disposal of farmlands

Gain from disposal of farmlands derived from the Land Transformation and Sales segment decreased by 100.4%, from income for Ps. 570 million in fiscal year 2015 to a loss of Ps. 2 million in fiscal year 2016, primarily as a result of the absence of sales in this fiscal year and the following transactions in the preceding fiscal year:

During fiscal year 2015

- On April 3, 2014, Cresca S.A. executed a deed of sale for an area of 24,624 hectares located in Chaco Paraguayo. The total price was US$ 14.7 million paid as follows: US$ 1.8 million was cashed upon the execution of the deed of sale; US$ 4.3 million at the time of the title conveyance; US$ 3.7 million on July 2015 interest-free; and US$ 4.9 million on July 2016 interest-free. Possession was surrendered upon the execution of the title deed and upon the creation of a mortgage as guarantee of the remaining balance on July 14, 2014. We recorded a gain of Ps. 19.1 million as a result of this transaction.

- On June 10, 2015, Brasilagro sold the remaining area of 27,745 hectares of the Cremaq farm located in the municipal district of Baixa Grande do Ribeiro (Piaui). The transaction price was Rs. 270 million (equivalent to Ps. 694 million) which was fully paid. We recorded a gain of Ps. 525.9 million as a result of this transaction.

- On October 17, 2013, Yuchán Agropecuaria executed an agreement providing for the sale, subject to retention of title, of a 1,643 hectare property in the "La Fon II" farm for a total price of US$ 7.21 million (equivalent to Ps. 59.0 million). As of the date of issuance of these financial statements, the amount of US$ 7.1 million was cashed, with the remaining balance of US$ 0.12 million being payable in two installments beginning in December this year and ending in December 2017. The agreement provides that title conveyance will be registered once the full price has been paid. On June 24, 2015, Yuchán Agropecuaria surrendered the possession of the property. We recorded a gain of US$ 2.7 million (equivalent to Ps. 24.6 million) as a result of this transaction in the fiscal year 2015.

General and Administrative Expenses

Our General and Administrative Expenses rose by 260.9%, from Ps. 625 million in fiscal year 2015 to Ps. 2,255 million in fiscal year 2016. This was mainly due to an increase of Ps. 67 million in the Agricultural business and an increase of Ps. 1,563 million in the Urban Properties and Investments Business. Within the Urban Properties and Investments Business the Variation is attributable to the Operation Center in Israel for Ps. 1,387 and to the Operation Center in Argentina for Ps. 176.

Agricultural Business

General and Administrative Expenses	Fiscal year ended June 30, 2016 Statement of Income (in million of Ps.)	Interests in joint ventures	Inter-segment eliminations	Segment reporting
Crops	(171)	(3)	-	(174)
Cattle	(40)	-	-	(40)
Dairy	(8)	-	-	(8)
Sugarcane	(34)	-	-	(34)
Agricultural Production Subtotal	(253)	(3)	-	(256)
Land Transformation and Sales	(1)	-	-	(1)
Agro-industrial	(38)	-	-	(38)
Others segments	(15)	-	-	(15)
Agricultural rental and Services	(4)	-	-	(4)
Subtotal Others	(57)	-	-	(57)
Total Agricultural Business	(311)	(3)	-	(314)

General and Administrative Expenses	Fiscal Year ended June 30, 2015 Statement of Income (in million of Ps.)	Interests in joint ventures	Inter-segment eliminations	Segment reporting
Crops	(156)	(3)	-	(159)
Cattle	(26)	-	-	(26)
Dairy	(5)	-	-	(5)
Sugarcane	(20)	-	-	(20)
Subtotal Agricultural production	(207)	(3)	-	(210)
Land Transformation and Sales	(2)	-	-	(2)
Agro-industrial	(25)	-	-	(25)
Others segments	(8)	-	-	(8)
Agricultural rental and Services	(2)	-	-	(2)
Subtotal Others	(35)	-	-	(35)
Total Agricultural Business	(244)	(3)	-	(247)

General and Administrative Expenses from the Agricultural business sales rose by 27.5%, from Ps. 244 million in fiscal year 2015 to Ps. 311 million in fiscal year 2016. This was due to the following increases: Ps. 14 million in the Crops segment, Ps. 15 million in the Cattle segment, Ps. 3 million in the Dairy segment, Ps. 14 million in the Sugarcane segment, Ps. 13 million in the Agro-industrial segment, Ps. 2 million in the Agricultural rental and Services segment and Ps. 7 million corresponding to Others segments.

The causes for the variation were:

·
The variation in Cresud's administrative expenses is mostly due to the variation in wages, salaries and social security contributions due to the allowance for bonuses payable for fiscal year 2016. In addition, the reason for the variation is to be found also in the increases exhibited by the fees of the accountants associated to the consolidation of IDBD as well as the increase in legal fees associated to the Class Action.

·
An increase in the General and Administrative Expenses of the subsidiary Sociedad Anónima Carnes Pampeanas primarily attributable to the increases in the services hired for the project to implement the SAP system, consultancy fees and SOX standard testing and salary adjustments due to collective bargaining agreements; and

·
an increase in expenses as a result of the inflationary context.

In turn, general and administrative expenses from our joint ventures remained stable at Ps. 3 million during fiscal years 2016 and 2015.

There were no General and Administrative Expenses incurred by reason of Inter-segment eliminations.

Hence, according to business segment reporting and considering all our joint ventures, General and Administrative Expenses grew by 27.1%, up from Ps. 247 million in fiscal year 2015 to Ps. 314 million in fiscal year 2016.

Urban Properties and Investments Business

	Fiscal year ended June 30, 2016				
General and Administrative Expenses	Statement of Income	Interests in joint ventures	Inter-segment eliminations	Maintenance Fee and Common Advertising Funds	Segment reporting
	(in million of Ps.)				
Operations Center in Argentina					
Shopping Centers	(178)	-	(1)	-	(179)
Offices and Otherss	(50)	--		-	(50)
Sales and Developments	(126)	(1)	(4)	-	(131)

Hotels	(101)	-	(2)	-	(103)
International	(91)	-	-	-	(91)
Financial Operations and Others	-	-	-	-	-
Total Operations Center in Argentina	(546)	(1)	(7)		(554)
Operations Center in Israel					
Real Estate	(100)	-	-	-	(100)
Supermarkets	(203)	-	-	-	(203)
Agrochemicals	-	-	-	-	-
Telecommunications	(708)	-	-	-	(708)
Insurance	-	-	-	-	-
Other	(376)	-	-	-	(376)
Total Operations Center in Israel	(1,387)	-	-	-	(1,387)
Total Urban Properties and Investments Business	(1,933)	(1)	(7)	-	(1,941)

	Fiscal year ended June 30, 2015				
General and Administrative Expenses	Statement of Income	Interests in joint ventures	Inter-segment eliminations	Maintenance Fee and Common Advertising Funds	Segment reporting
	(in million of Ps.)				
Operations Center in Argentina					
Shopping Centers	(135)	-	-	-	(135)
Offices and Others	(58)	-	(1)	-	(59)
Sales and Developments	(48)	(1)	(1)	-	(50)
Hotels	(77)	-	(1)	-	(78)
International	(56)	-	-	-	(56)
Financial Operations and Others	-	-	-	-	-
Total Urban Properties and Investments Business	(374)	(1)	(3)		(378)

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General and Administrative Expenses in connection with the sales of the Urban Properties and Investments Business segment rose by 416.8%, from Ps. 374 million in fiscal year 2015 to Ps. 1,933 million in fiscal year 2016, of which Ps. 1,387 million are derived from the Operation Center in Israel, and Ps. 546 million are derived from the Operation Center in Argentina. Considering Operation Center in Argentina variation was due to the Ps. 43 million increase in the Shopping Center segment, an increase of Ps. 78 million in the Sales and Developments segment, an increase of Ps. 24 million in the Hotels segment, an increase of Ps. 35 million in the International segment, all of which was partially offset by a decrease of Ps. 8 million in the segment Offices and Others.

In turn, the administrative expenses of our joint ventures did not exhibit variations between the fiscal years 2015 and 2016 and remained stable at Ps. 1 million.

Inter-segment eliminations increased Ps. 4 million, up from Ps. 3 million in fiscal year 2015 to Ps. 7 million in fiscal year 2016.

Hence, according to business segment reporting and considering all our joint ventures and inter-segment eliminations, administrative expenses increased by 413.5% up from Ps. 378 million in fiscal year 2015 to Ps. 1,941 million in fiscal year 2016 (of which Ps. 1,387 million are attributable to the Operation Center in Israel and Ps. 554 million to the Operation Center in Argentina). Without considering the general & administrative expenses from the Operation Center in Israel, general & administrative expenses rose by 46.6%. Furthermore, general & administrative expenses as a percentage of revenues, pursuant to business segment reporting, declined from 14.8% during fiscal year 2015 to 6.2% during fiscal year 2016. Without considering the effect of the Israeli Operation Center in Israel, total general & administrative expenses as a percentage of revenues experienced increase from 14.8% during fiscal year 2015 to 16.9% during fiscal year 2016.

Operations Center in Argentina

Shopping Centers

Administrative expenses in the Shopping Centers segment increased by 32.6%, up from Ps. 135 million during fiscal year 2015 to Ps. 179 million during fiscal year 2016, mainly as a consequence of:

.

a Ps. 18 million increase in salaries, wages, social security contributions and other payroll expenses;

.

an increase of Ps. 13 million in Directors' fees;

.

an increase of Ps. 7 million in fees and compensation for services, to name but a few items.

Administrative expenses in the Shopping Centers segment as a percentage of revenues from the same segment decreased slightly from 7.7% during fiscal year 2015 to 7.4% during fiscal year 2016.

Offices and Others

General and Administrative Expenses in our Offices and Others segment decreased by 15.3%, from Ps. 59 million during fiscal year 2015 to Ps. 50 million during fiscal year 2016, primarily as a consequence of: (i) a Ps. 12 million decrease in salaries, wages, social security contributions and other payroll expenses; partially offset by (ii) an increase in directors' fees in the amount of Ps. 6 million, amongst others items.

When measured as a percentage of revenues from the same segment, General and Administrative Expenses decreased by 17.7% during fiscal year 2015 to 14.7% during fiscal year 2016.

Sales and Developments

General and Administrative Expenses associated to our Sales and Developments segment rose by 162.0%, from Ps. 50 million during fiscal year 2015 to Ps. 131 million during fiscal year 2016, primarily as a consequence of: (i) an increase in salaries, wages, social security contributions and other payroll expenses of Ps. 26 million, (ii) an increase of Ps. 24 million in fees and compensation for services; (iii) and an increase in directors' fees of Ps. 21 million, amongst others items.

Hotels

The General and Administrative Expenses associated to our Hotels segment increased by 32.1% from Ps. 78 million during fiscal year 2015 to Ps. 103 million during fiscal year 2016, mainly as a consequence of:

.

(i) an increase of Ps. 12 million in salaries and wages, social security contributions and others payroll expenses;

.

(ii) an increase of Ps. 6 million in the cost of fees from services, amongst other items.

The General and Administrative Expenses associated to the Hotels segment measured as a percentage of the revenues derived from this segment shrank from 19.6% in fiscal year 2015 to 19.3% in fiscal year 2016.

International

General and Administrative Expenses associated to our International segment rose by Ps. 35 million, from Ps. 56 million during fiscal year 2015 to Ps. 91 million during fiscal year 2016 primarily attributable to fees for services incurred in connection with the investment in IDBD.

Financial Operations and Others.

General and Administrative Expenses associated to our Financial Operations and Others segment did not exhibit variations for the periods disclosed.

Operations Center in Israel

Real Estate

During fiscal year 2016, general & administrative expenses associated to the Real Estate segment totaled Ps. 100 million. General & administrative expenses as a percentage of the segment revenues amounted to 6.6%.

Supermarkets

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

Telecommunications

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

Others

During fiscal year 2016, general & administrative expenses associated to the Others segment totaled Ps. 376 million. General & administrative expenses as a percentage of the segment revenues amounted to 26.4%.

Selling expenses

Our total selling expenses grew by 1,207.3%, from Ps. 481 million in fiscal year 2015 to Ps. 6,288 million in fiscal year 2016. This was primarily attributable to an increase of Ps. 52 million in the Agricultural business and an increase of Ps. 5,755 million in the Urban Properties and Investments Business which accounts for the Ps. 69 million increase in the Operation Center in Argentina and the Ps. 5,686 million increase in the Operation Center in Israel.

Agricultural Business

Selling expenses	Fiscal year ended June 30, 2016			
	Statement of Income (in million of Ps.)	Interests in joint ventures	Inter-segment eliminations	Segment reporting

Crops	(209)	(5)	(2)	(216)
Cattle	(19)	-	-	(19)
Dairy	(4)	-	-	(4)
Sugarcane	(8)	-	-	(8)
Agricultural Production Subtotal	(240)	(5)	(2)	(247)
Land Transformation and Sales	-	-	-	-
Agro-industrial	(67)	-	-	(67)
Others segments	(23)	-	-	(23)
Agricultural Rental and Services	(1)	-	-	(1)
Subtotal Others	(91)	-	-	(91)
Total Agricultural Business	(331)	(5)	(2)	(338)

	Fiscal Year ended June 30, 2015			
Selling expenses	Statement of Income	Interests in joint ventures	Inter-segment eliminations	Segment reporting
	(in million of Ps.)			
Crops	(157)	(3)	(1)	(161)
Cattle	(20)	-	-	(20)
Dairy	(4)	-	-	(4)
Sugarcane	(8)	-	-	(8)
Agricultural Production Subtotal	(189)	(3)	(1)	(193)
Land Transformation and Sales	(1)	(1)	-	(2)
Agro-industrial	(77)	-	-	(77)
Others segments	(13)	-	-	(13)
Agricultural Rental and Services	(1)	-	-	(1)
Subtotal Others	(91)	-	-	(91)
Total Agricultural Business	(281)	(4)	(1)	(286)

The Selling expenses associated to the sales of the Agricultural business rose by 17.8%, from Ps. 281 million in fiscal year 2015 to Ps. 331 million in fiscal year 2016. This was primarily due to the Ps. 52 million increase in the Crops segment and the Ps. 10 million increase in the Others segments, partially offset by a reduction of Ps. 1 million in the Cattle segment, and the Ps. 10 million decrease in the Agro-industrial segment.

In turn, selling expenses from our interests in joint ventures rose by 25% from Ps. 4 million in fiscal year 2015 to Ps. 5 million in fiscal year 2016, in connection with our Cresca joint venture.

Besides, Inter-segment eliminations rose Ps. 1 million in the fiscal year 2016 compared to the figure posted for 2015.

Hence, according to the business segment details reported by segment and considering all our joint ventures and the Inter-segment eliminations, Selling expenses grew by 18.2%, up from Ps. 286 million in fiscal year 2015 to Ps. 338 million in fiscal year 2016.

Urban Properties and Investments Business

Selling expenses	Fiscal year ended June 30, 2016 Statement of Income (in million of Ps.)	Interests in joint ventures	Inter-segment eliminations	Segment reporting
Operations Center in Argentina				
Shopping Centers	(143)	(2)	-	(145)
Offices and Others	(12)	-	-	(12)
Sales and Developments	(36)	-	-	(36)
Hotels	(69)	-	-	(69)
International	-	-	-	-
Financial Operations and Others	(2)	-	-	(2)
Total Operations Center in Argentina	(262)	(2)	-	(264)
Operations Center in Israel				
Real Estate	(29)	-	-	(29)
Supermarkets	(4,058)	-	-	(4,058)
Agrochemicals	-	-	-	-
Telecommunications	(1,493)	-	-	(1,493)
Insurance	-	-	-	-
Other	(106)	-	-	(106)
Total Operations Center in Israel	(5,686)	-	-	(5,686)
Total Selling expenses	(5,948)	(2)	-	(5,950)

Selling expenses	Fiscal year ended June 30, 2015 Statement of Income (in million of Ps.)	Interests in joint ventures	Inter-segment eliminations	Segment reporting
Operations Center in Argentina				
Shopping Centers	(112)	(1)	-	(113)
Offices and Others	(21)	-	-	(21)
Sales and Developments	(8)	(1)	-	(9)

Hotels	(52)	-	-	(52)
International	-	-	-	-
Financial Operations and Others	-	-	-	-
Total Urban Properties and Investments Business	(193)	(2)	-	(195)

The Selling expenses associated to the sales completed by the Urban Properties and Investments Business rose by 2,981.9% from Ps. 193 million in fiscal year 2015 to Ps. 5,948 million in fiscal year 2016 of which Ps. 5,686 million are derived from the Operation Center in Israel, and Ps. 262 million are derived from the Operation Center in Argentina. Considering Operation Center in Argentina variation was due to an increase of Ps. 31 million in the Shopping Center segment, an increase of Ps. 28 million in the Sales and Developments segment, an increase of Ps. 17 million in the Hotels segment and an increase of Ps. 2 million in the Financial Operations and Others segment, partially offset by a reduction of Ps. 9 million in the Offices and Others segment.

In turn, selling expenses in our joint ventures did not exhibit a decrease in the fiscal years 2016 and 2015.

Hence, according to business segment reporting, Selling expenses experienced 2,951.3% growth from Ps. 195 million during fiscal year 2015 to Ps. 5,950 million during fiscal year 2016 (of which Ps. 5,686 million are attributable to the Operation Center in Israel and Ps. 264 million to the Operation Center in Argentina). Without considering the effect of the Operation Center in Israel, selling expenses rose by 35.4%. Furthermore, selling expenses as a percentage of revenues, pursuant to business segment reporting, rose from 7.7% during fiscal year 2015 to 18.9% during fiscal year 2016. Without considering the effect of the Israeli Operating Center, selling expenses as a percentage of total revenues pursuant to business segment reporting, experienced a slight increase from 7.7% during fiscal year 2015 to 8.0% during fiscal year 2016.

Operations Center in Argentina

Shopping Centers

Selling expenses in the Shopping Centers segment increased by 28.3%, up from Ps. 113 million during fiscal year 2015 to Ps. 145 million during fiscal year 2016, primarily as a consequence of: (i) an increase in the charge for taxes, rates and contributions of Ps. 29 million, primarily generated by an increase in charges for gross income tax, amongst other items.

Selling expenses measured as a percentage of revenues from the Shopping Centers segment, went down from 6.3 % during fiscal year 2015 to 6.0% during fiscal year 2016.

Offices and Others

The Selling expenses associated to our Offices and Others segment decreased by 42.9% down from Ps. 21 million in fiscal year 2015 to Ps. 12 million in fiscal year 2016.

The Selling expenses associated to our Offices and Others segment, measured as a percentage of the revenues derived from this segment diminished by 6.3% in fiscal year 2015 to 3.5% in fiscal year 2016.

Sales and Developments

Selling expenses in the Sales and Developments segment rose by 300.0%, up from Ps. 9 million during fiscal year 2015 to Ps. 36 million during fiscal year 2016, primarily as a result of an increased charge for taxes, rates and contributions that amounts to Ps. 21 million, primarily generated by an increase in charges for gross income tax.

Hotels

The selling expenses associated to our Hotels segment rose by 32.7%, from Ps. 52 million during fiscal year 2015 to Ps. 69 million during fiscal year 2016, primarily attributable to:

- a Ps. 6 million increase in the charge for taxes, rates and contributions and
- an increase of Ps. 5 million in fees for services amongst other items.

The selling expenses associated to our Hotels segment measured as a percentage of the revenues derived from this segment fell slightly down from 13% during fiscal year 2015 to 12.9% during fiscal year 2016.

Financial Operations and Others

Selling expenses in the Financial Operations and Others segment rose by Ps. 2 million during fiscal year 2016 compared to fiscal year 2015.

Operations Center in Israel

Real Estate

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

Supermarkets

During fiscal year 2016, selling expenses associated to the Supermarkets segment totaled Ps. 4,058 million. Selling expenses as a percentage of the revenues derived from this segment amounted to 21.8%.

Telecommunications

During fiscal year 2016, selling expenses associated to the Telecommunications segment totaled Ps. 1,493 million. Selling expenses as a percentage of the revenues derived from this segment amounted to 22.4%.

Others

During fiscal year 2016, selling expenses associated to the Others segment totaled Ps. 106 million. Selling expenses as a percentage of the revenues derived from this segment amounted to 7.4%.

Other Operating results, net

Our Other operating results, net decreased by Ps. 48 million, from income for Ps. 10 million in fiscal year 2015 to a loss for Ps. 38 million in fiscal year 2016. This was mainly due to an increase of Ps. 3 million in the Urban Properties and Investments Business in the Argentine Operating Center, offset by a Ps. 51 million decrease in the Agricultural business.

Agricultural Business

Other Operating results, net	Fiscal year ended June 30, 2016 Statement of Income (in million of Ps.)	Interests in joint ventures	Inter-segment eliminations	Segment reporting
Crops	(72)	(1)	(1)	(74)
Cattle	(2)	-	-	(2)
Dairy	-	-	-	-
Land Transformation and Sales	-	-	-	-
Sugarcane	4	-	-	4
Agricultural Production Subtotal	(70)	(1)	(1)	(72)
Agro-industrial	1	-	-	1
Others segments	1	-	-	1
Agricultural Rental and Services	-	-	-	-
Subtotal Others	2	-	-	2
Total Agricultural Business	(68)	(1)	(1)	(70)

Other Operating results, net	Fiscal Year ended June 30, 2015 Statement of Income (in million of Ps.)	Interests in joint ventures	Inter-segment eliminations	Segment reporting
Crops	(7)	(1)	(1)	(9)
Cattle	(2)	(1)	-	(3)
Dairy	(1)	-	-	(1)
Sugarcane	(2)	-	-	(2)
Agricultural Production Subtotal	(12)	(2)	(1)	(15)
Land Transformation and Sales	(5)	-	-	(5)
Agro-industrial	-	-	-	-
Others segments	1	-	-	1
Agricultural Rental and Services	-	-	-	-
Subtotal Others	1	-	-	1
Total Agricultural Business	(16)	(2)	(1)	(19)

The Other operating results, net, associated to sales in the Agricultural business increased their losses up from Ps. 16 million in fiscal year 2015 to Ps. 68 million in losses for fiscal year 2016. This was primarily due to an increase of Ps. 65 million in losses in the Crops segment, partially offset by an increase of Ps. 6 million in the Sugarcane segment, Ps. 5 million in the segment Land Transformation and Sales, and Ps. 1 million in the Dairy and Agro-industrial segments.

In turn, Other operating results, net from our interests in joint ventures experienced a decrease in loss equivalent to 50% of Ps. 2 million in fiscal year 2015 to Ps. 1 million in fiscal year 2016, associated to our joint venture Cresca.

Besides, there have not been any variations in the Inter-segment eliminations for other operating results, net which remain at a loss of Ps. 1 million for both fiscal years.

Hence, according to business segment reporting and considering all our joint ventures, Other operating results, net went from a loss of Ps. 19 million in fiscal year 2015 to a loss of Ps. 70 million in fiscal year 2016.

Crops

Other operating results, net, in the Crops segment experienced an increase in losses for Ps. 65 million, up from Ps. 9 million in losses for fiscal year 2015 to Ps. 74 million in losses for fiscal year 2016, primarily as a result of the derivatives of Brasilagro and Cresud commodities (Ps. 84 million), partially offset by the results generated by FyO (equivalent to income for Ps. 12 million).

Sugarcane

Other operating results, net in the Sugarcane segment rose by Ps. 6 million, up from a Ps. 2 million loss in fiscal year 2015 to income for Ps. 4 million in fiscal year 2016.

Land Transformation and Sales

Other operating results, net in the Land Transformation and Sales segment in fiscal year 2016 were no associated to expenses whilst losses for these expenses in fiscal year 2015 had amounted to Ps. 5 million.

The rest of the segments of the Agriculture business did not exhibit significant changes.

Urban Properties and Investments Business

Other Operating results, net	Fiscal year ended June 30, 2016 Statement of Income (in million of Ps.)	Interests in joint ventures	Inter-segment eliminations	Segment reporting
Operations Center in Argentina				
Shopping Centers	(40)	(2)	-	(42)
Offices and Others	(7)	-	1	(6)
Sales and Developments	(16)	4	4	(8)
Hotels	(2)	-	-	(2)
International	89	-	-	89
Financial Operations and Others	1	-	-	1
Total Operations Center in Argentina	25	2	5	32
Operations Center in Israel				
Real Estate	-	-	-	-
Supermarkets	-	-	-	-
Agrochemicals	-	-	-	-
Telecommunications	-	-	-	-
Insurance	-	-	-	-
Other	-	-	-	-
Total Operations Center in Israel	-	-	-	-
Total Other operating results, net	25	2	5	32

Other Operating results, net	Fiscal year ended June 30, 2015 Statement of Income (in million of Ps.)	Interests in joint ventures	Inter-segment eliminations	Segment reporting
Operations Center in Argentina				
Shopping Centers	(48)	(1)		(49)-
Offices and Others	(120)	1		(118)
Sales and Developments	13	-		- 13
Hotels	-	-		- -
International	185	-		185-
Financial Operations and Others	(2)	-		(2) -
Total Urban Properties and Investments Business	28	-		29 1

The Other operating results, net in the Urban Properties and Investments Business segment decreased by Ps. 3 million, up from a gain of Ps. 28 million in fiscal year 2015 to a gain of Ps. 25 million in fiscal year 2016 (attributable to the Operation Center in Argentina), primarily attributable to income for Ps. 113 million in the Offices and Others segment, partially offset by a reduction of Ps. 96 million in the International segment.

The effect of consolidation in our joint ventures rose by Ps. 2 million primarily due to larger operating revenues in the joint ventures Baicom and Cyrsa, partially offset by operating expenses in the Puerto Retiro joint venture.

Besides, Inter-segment eliminations rose by Ps. 4 million, up from Ps. 1 million in income for the fiscal year 2015 to Ps. 5 million in income for the fiscal year 2016.

In accordance with the details from the business segment reported by segment and considering all our joint ventures and the Inter-segment eliminations, the Other operating results, net went from income for Ps. 29 million as net income for the fiscal year 2015 to income for Ps. 32 million in the fiscal year 2016 (allocated to the Operation Center in Argentina)..

Operation Center in Argentina

Shopping Centers

The net loss stemming from Other operating results in the Shopping Centers segment shrank by 14.3%, down from Ps. 49 million during fiscal year 2015 to Ps. 42 million during fiscal year 2016, primarily as a consequence of a smaller charge for lawsuits and contingencies of Ps. 8 million.

The net loss stemming from Other operating results, measured as a percentage of revenues from the Shopping Centers segment, diminished from 2.7% during fiscal year 2015 to 1.7% during fiscal year 2016.

Offices and Others

The net loss stemming from Other operating results associated to our Offices and Others segment decreased by Ps. 112 million, down from Ps. 118 million during fiscal year 2015 to Ps. 6 million during fiscal year 2016, primarily attributable to the expenses for conveyances of assets from IRSA to IRSA CP for Ps. 111 million generated during fiscal year 2015.

Sales and Developments

Our Sales and Developments segment diminished by Ps. 21 million from income for Ps. 13 million during fiscal year 2015 to a loss of Ps. 8 million during fiscal year 2016, primarily as a consequence of the income posted during fiscal year 2015 for the sale of our shareholding in Bitania for Ps. 16 million, among other items.

Hotels

The net loss stemming from Other operating results associated to our Hotels segment rose by Ps. 2 million recorded during fiscal year 2016, primarily attributable to an increased charge for provisions for lawsuits and contingencies.

International

The Other operating results, net in this segment exhibited a Ps. 96 million decrease, down from Ps. 185 million during fiscal year 2015 to Ps. 89 million during fiscal year 2016, primarily attributable to a reduction in income caused by the partial reversal of accumulated gains/(losses) from conversion. As of June 30, 2016, this reflects primarily the reversal of the gains/(losses) for conversion before the IDBD business combination whilst as of June 30, 2015 this reflects the reversal of the reserve for conversion generated at Rigby and due to the partial repayment of the company's principal.

Financial Operations and Others

Other operating results, net associated to our Financial Operations and Others segment rose by Ps. 3 million, up from a loss of Ps. 2 million during fiscal year 2015 to income for Ps. 1 million during fiscal year 2016.

Profit from operations

As a consequence of the factors explained above, our profit from operations rose Ps. 900 million (31.8%), up from income for Ps. 2,827 million in fiscal year 2015 to income for Ps. 3,727 million in fiscal year 2016.

Agricultural Business

Profit from operations in the Agricultural business decreased Ps. 15 million (4.9%), down from income for 307 million in fiscal year 2015 to income for Ps. 292 million in fiscal year 2016.

Crops

Profit / (loss) from operations in this segment increased Ps. 431 million (155.6%) from a loss of Ps. 277 million in fiscal year 2015 to income for Ps. 154 million in fiscal year 2016.

Cattle

Profit from operations in this segment rose by Ps. 67 million (186.1%), from income for Ps. 36 million in fiscal year 2015 to income for Ps. 103 million in fiscal year 2016.

Dairy

Profit / (loss) from operations in this segment decreased Ps. 12 million (300.0%), from income for Ps. 4 million in fiscal year 2015 to a loss of Ps. 8 million in fiscal year 2016.

Sugarcane

Profit / (loss) from operations in this segment increased Ps. 76 million (584.6%), from a loss of Ps. 13 million in fiscal year 2015 to income for Ps. 63 million in fiscal year 2016.

Agricultural Rental and Services

Profit from operations in this segment increased Ps. 16 million (43.2%), from income for Ps. 37 million in fiscal year 2015 to income for Ps. 53 million in fiscal year 2016.

Land Transformation and Sales

Profit from operations in this segment decreased by Ps. 564 million (102.2%), from income for Ps. 552 million in fiscal year 2015 to a loss of Ps. 12 million in fiscal year 2016.

Agro-industrial

Loss from operations in this segment decreased Ps. 28 million (80.0%), from a loss of Ps. 35 million in fiscal year 2015 to a loss of Ps. 63 million in fiscal year 2016.

Others

Profit from operations in this segment decreased Ps. 1 million (33.3%) from income for Ps. 3 million in fiscal year 2015 to income for Ps. 2 million in fiscal year 2016.

Urban Properties and Investments Business

Profit from operations in this segment rose by Ps. 915 million (36.3%), up from income for Ps. 2,520 million in fiscal year 2015 to income for Ps. 3,435 million in fiscal year 2016 of which Ps. 720 million are derived from the Operation Center in Israel, and Ps. 2,715 million are derived from the Operation Center in Argentina. Considering Operation Center in Argentina variation was due to an increase of Ps. 580 million in the segments Shopping Center, Offices and Others, Hotels and Financial Operations, partially offset by a Ps. 385 million reduction in the segments Sales and Developments and International.

Shopping Centers

Profit from operations in our Shopping Centers segment rose by 37.6%, from a gain of Ps. 1,190 million during fiscal year 2015 to a gain of Ps. 1,637 million during fiscal year 2016.

Profit from operations in our Shopping Centers segment, as a percentage of the segment revenues, increased from 66.9% in fiscal year 2015 to 68.0% in fiscal year 2016.

Offices and Others

Profit from operations in our Offices and Others segment rose by 121.2%, from a gain of Ps. 99 million during fiscal year 2015 to a gain of Ps. 219 million during fiscal year 2016.

Profit from operations in our Offices and Others segment, as a percentage of the revenues derived from this segment, increased from 29.7% in fiscal year 2015 to 64.4% in fiscal year 2016.

Sales and Developments

Profit from operations in our Sales and Developments segment decreased by 21.4%, from a gain of Ps. 1,099 million during fiscal year 2015 to a gain of Ps. 864 million during fiscal year 2016.

Profit from operations in our Sales and Developments segment, as a percentage of the revenues derived from this segment, increased from 7,850.0% in fiscal year 2015 to 28,800.0% in fiscal year 2016.

Hotels

Loss from operations in our Hotels segment decreased losses by 84.6% down from Ps. 13 million during fiscal year 2015 to Ps. 2 million during fiscal year 2016.

International

Profit/(loss) from operations in our International segment decreased Ps. 150 million (101.3%), from a gain of Ps. 148 million during fiscal year 2015 to a loss of Ps. 2 million during fiscal year 2016.

Financial Operations and Others

Loss from operations in our Financial Operations and Others segment experienced a 66.7% decrease in losses, down from Ps. 3 million during fiscal year 2015 to Ps. 1 million during fiscal year 2016.

Operations Center in Israel

Real Estate

During fiscal year 2016, operating income associated to the Real Estate segment totaled Ps. 617 million and, as a percentage of the revenues derived from this segment, amounted to 40.1%.

Supermarkets

During fiscal year 2016, operating income associated to the Supermarkets segment totaled Ps. 424 million and, as a percentage of the revenues derived from this segment, amounted to 2.3%.

Telecommunications

During fiscal year 2016, operating loss associated to the Telecommunications segment totaled Ps. 71 million.

Others

During fiscal year 2016, operating loss associated to the Others segment totaled Ps. 250 million.

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

Share of profit / (loss) of associates and joint ventures increased by Ps. 1,499 million, up from a loss of Ps. 1,026 million in fiscal year 2015 to a gain of Ps. 473 million in fiscal year 2016. This was primarily attributable to:

.
a Ps. 1,136 million increase in our related companies' interest in the Urban Properties and Investments business in fiscal year 2016. Such increase was mainly attributable to the income stemming from the share in the Profit of associates and joint ventures posted by our subsidiary IDBD which amounted to Ps. 338 million during fiscal year 2016, and the profit associated to the investment in IDBD previous to the consolidation which amounts to Ps. 1,080 million, which adds to the income stemming from our investment in our related company Banco Hipotecario which exhibited a Ps. 114 million variation during fiscal year 2016. This has all been partially offset by an increase in losses of Ps. 55 million in our ownership interest in New Lipstick LLC, partially offset by increased gains from Condor for Ps. 15 million.

.
a Ps. 22 million increase in the revenues provided by the Agricultural business, primarily attributable to the revenues earned by the Agro-Uranga investment (corresponding to the Crops segment).

In turn, share of profit of associates and joint ventures from our interests in joint ventures increased by 30.0% from Ps. 10 million in fiscal year 2015 to Ps. 13 million in fiscal year 2016, mainly as a consequence of a 298.7% increase in our Cresca joint venture, up from a loss of Ps. 2 million in fiscal year 2015 to a gain of Ps. 3 million in fiscal year 2016.

Hence, according to business segment reporting and considering all our joint ventures, share of profit / (loss) of associates and joint ventures increased by 144.4%, up from a loss of Ps. 1,036 million in fiscal year 2015 to a gain of Ps. 460 million in fiscal year 2016.

Financial results, net

We incurred a higher financial loss, net of Ps. 4,967 million, up from a loss of Ps. 1,288 million in fiscal year 2015 to a loss of Ps. 6,255 million in fiscal year 2016. This was primarily due to:

.
a higher loss, of Ps. 2,340 million in foreign exchange, net in fiscal year 2016;

.
a higher loss, of Ps. 1,160 million in financial interest, net recorded in fiscal year 2016;

.

a higher loss, of Ps. 1,428 million, stemming from the fair value measurement of financial assets and liabilities in fiscal year 2016;

.

a higher loss, of Ps. 353 million, stemming from the impairment in the investment properties of our IDBD subsidiary in fiscal year 2016; and

.

slightly offset by a gain of Ps. 1,172 million stemming from derivative financial instruments in fiscal year 2016.

Our financial losses, net in fiscal year 2016 were primarily attributable to (i) an increase in the financial losses stemming from the consolidation of IDBD for Ps. 3,176 million; (ii) a Ps. 3,249 million loss stemming from foreign exchange primarily as a result of the depreciation sustained by the foreign exchange rate, whitout IDBD's results; (iii) a Ps. 1,246 million loss stemming from the interest accrued on debt financing, mainly due to increased indebtedness and higher interest rates, whitout IDBD's results; (iv) a gain of Ps. 662 million primarily attributable to the fair value measurement of financial assets, whitout IDBD's results; and (v) a gain of Ps. 1,138 million attributable to derivative financial instruments (except commodities), whitout IDBD's results.

There was a 65.5% variation in the U.S. Dollar buying rate during fiscal year 2016 (it increased from Ps. 9.088 on June 30, 2015 to Ps. 15.040 as of June 30, 2016) as compared to the previous fiscal year, when the U.S. Dollar quotation had experienced a variation of 11.7% (from Ps. 8.133 as of June 30, 2014 to Ps. 9.088 as of June 30, 2015).

Income tax

Our income tax expense increased Ps. 500 million, from a Ps. 303 million loss in fiscal year 2015 to a Ps. 197 million gain in fiscal year 2016. We recognize the income tax expense on the basis of the deferred tax liability method, thus recognizing temporary differences between accounting and tax assets and liabilities measurements. The main temporary differences for the Agriculture business derive from valuation of cattle stock and sale and replacement of property, plant and equipment, while those corresponding to the Urban Properties and Investments business derive from the sale and replacement of investment properties.

For purposes of determining the deferred assets and liabilities, the tax rate expected to be in force at the time of their reversion or use, according to the legal provisions enacted as of the date of issuance of these financial statements, has been applied to the identified temporary differences and tax losses.

Profit / (loss) for the Fiscal Year

Due to the above mentioned factors, our profit / (loss) for the fiscal year decreased Ps. 2,066 million (1,180.6%) from Ps. 175 million in net income for fiscal year 2015 to a net loss of Ps. 1,891 million in fiscal year 2016. Profit / (loss) for fiscal years 2016 and 2015 is attributable to the controlling company's shareholders and non-controlling interest, as per the following detail:

.

Loss for the fiscal year attributable to the controlling company's shareholders went from a loss of Ps. 250 million in fiscal year 2015 to a loss of Ps. 1,038 million in fiscal year 2016; and

.

Profit / (loss) attributable to the non-controlling interest in controlled companies went from a gain of Ps. 425 million in fiscal year 2015 to a loss of Ps. 853 million in fiscal year 2016, primarily due to the consolidation of our subsidiary IDBD.

Fiscal year ended June 30, 2015 compared to the fiscal year ended June 30, 2014

Operating Results

REVENUES

Our total revenues increased 24.5%, from Ps. 3,970 million for fiscal year 2014 to Ps. 4,942 million for fiscal year 2015. This was mainly due to a 32.1% increase in the Agricultural business, from Ps.1,813 million in fiscal year 2014 to Ps. 2,395 million in fiscal year 2015 and a 18.1% increase in the Urban Properties and Investments business, from Ps. 2,157 million in fiscal year 2014 to Ps. 2,547 million in fiscal year 2015.

Agricultural Business

	Fiscal year ended June 30, 2015			
Revenues	Statement of Income	Interests in joint ventures	Inter-segment eliminations	Segment reporting
	(in million of Ps.)			
Crops	964	23	-	987
Cattle	56	3	84	143
Dairy	72	-	-	72
Sugarcane	198	-	-	198
Subtotal Agricultural Business	1,290	26	84	1,400
Land Transformation and Sales	-	-	-	-
Agro-industrial	806	-	-	806
Others segments	118	-	10	128
Agricultural Rental and Services	37	-	24	61
Other Subtotal	961	-	34	995
Total Agricultural Business	2,251	26	118	2,395

	Fiscal year ended June 30, 2014			
Revenues	Statement of Income	Interests in joint ventures	Inter-segment eliminations	Segment reporting
	(in million of Ps.)			
Crops	818	19	-	837
Cattle	62	2	26	90
Dairy	54	-	-	54
Sugarcane	124	-	-	124
Subtotal Agricultural Business	1,058	21	26	1,105
Land Transformation and Sales	-	-	-	-
Agro-industrial	549	-	5	554
Others segments	124	-	1	125
Agricultural Rental and Services	28	-	1	29

Other Subtotal	701	-	7	708
Total Agricultural Business	1,759	21	33	1,813

Total revenues increased 28.0%, from Ps. 1,759 million in fiscal year 2014 to Ps. 2,251 in fiscal year 2015. This was due to an increase of:

.
Ps. 146 in the Crops segment;

.
Ps. 18 million in the Dairy segment;

.
Ps. 74 million in the Sugarcane segment;

.
Ps. 257 million in the Agroindustrial segment; and

.
Ps. 9 million in the Agricultural Rental and Services segment.

These increases were offset by a reduction of Ps. 6 million in the Cattle and Others segments, respectively.

In turn, revenues from our interests in joint ventures increased 23.8% from Ps. 21 million in fiscal year 2014 to Ps. 26 million in fiscal year 2015, as a result of a 21.1% increase in crops sold in Cresca, from Ps. 19 million in fiscal year 2014 to Ps. 23 million in fiscal year 2015.

Similarly, inter-segment revenues increased 257.6%, from Ps. 33 million in fiscal year 2014 to Ps. 118 million in fiscal year 2015, as a result of livestock sales during the year to our subsidiary Sociedad Anónima Carnes Pampeanas which was reclassified from the Cattle segment to the Agroindustrial segment, and the leases of farmlands between our subsidiary Brasilagro and its subsidiaries, which were reclassified from the Crops segment to the Agricultural Rental and Services segment.

Crops

Revenues from the Crops segment increased 17.9%, from Ps. 837 million in fiscal year 2014 to Ps. 987 million in fiscal year 2015, mainly as a result of:

.

a reduction of 4.6% in the average price of sold crops, from Ps. 1,931 per ton in fiscal year 2014 to Ps. 1,842 per ton in fiscal year 2015;

.

offset by an increase of 102,130 tons in the volume of crops sold during fiscal year 2015 compared to the previous fiscal year, a 17.9% increase in production volume, from 344,165 tons in fiscal year 2014 to 405,882 tons in fiscal year 2015.

The following table shows the sales of crops in detail:

	Sale of Crops (in tons)		
	Fiscal year ended June 30,		
	2015	2014	Variation
Corn	269,701	179,893	89,808
Soybean	250,125	222,051	28,074
Wheat	7,083	11,359	(4,276)
Sorghum	1,569	3,843	(2,274)
Sunflower	5,181	9,745	(4,564)
Other	1,872	6,509	(4,637)
Total Sales	535,531	433,400	(102,131)

Cattle

Revenues from the Cattle segment increased 58.9%, from Ps. 90 million in fiscal year 2014 to Ps. 143 million in fiscal year 2015, mainly as a result of:

.

a 57.8% increase in the average price per kilogram sold, from Ps. 10.2 million in fiscal year 2014 to Ps. 16.1 million in fiscal year 2015;

.

a slight decrease of 0.3% in the cattle sales volume, from 8,842 tons in fiscal year 2014 to 8,871 tons in fiscal year 2015; and

.

a 12.1% increase in the cattle production volume, from 6,970 tons in fiscal year 2014 to 7,812 tons in fiscal year 2015.

Dairy

Revenues from the Dairy segment increased 33.3%, from Ps. 54 million in fiscal year 2014 to Ps. 72 million in fiscal year 2015, mainly as a result of:

.

a 31.0% increase in the average price of milk, from Ps. 2.70 per liter in fiscal year 2014 to Ps. 3.55 per liter in fiscal year 2015;

.

a 10.3% decrease in the average amount number of milking cows; and

o

a 9.9% decrease in the volume of sales, from 18.8 million liters in fiscal year 2014 to 16.9 million liters in fiscal year 2015.

Sugarcane

Revenues from the Sugarcane segment increased 59.7%, from Ps. 124 million in fiscal year 2014 to Ps. 198 million in fiscal year 2015, mainly as a result of:

.

248,808 more tons of sugarcane sold in fiscal year 2015 as compared to the previous fiscal year (36.8%), mainly by Brasilagro; and

.

a 16.7% increase in the average price of sugarcane sold, from Ps. 183.3 per ton in fiscal year 2014 to Ps. 214.0 per ton in fiscal year 2015.

Agricultural Rental and Services

Revenues from the Agricultural Rental and Services segment increased by 110.3%, from Ps. 29 million in fiscal year 2014 to Ps. 61 million in fiscal year 2015, mainly as a result of:

.

a 232.0% increase in leases due to higher leases and machinery rentals from Brasilagro for Ps. 2 and Ps. 35 million in 2015, respectively, as compared to no transactions in the previous fiscal year, and new lease agreements in Bolivia in San Rafael (900 hectares), 4 Vientos (169 hectares) and Primavera (92 hectares) farms from January to May 2015, which generated revenues of Ps. 1 million;

.

a 18.2% increase in revenues from irrigation services (Ps. 1 million) originated in a 57% increase in the price, offset by a 25% reduction in irrigation volume;

.

partially offset by a 71.4% reduction in revenues from agricultural management services (Ps. 1 million) due to the fact that in the previous fiscal year cotton management services had been rendered to Iazfin in La Suiza, whereas such agreement was discontinued in this fiscal year.

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Agro-industrial Activities

Revenues from Agro-industrial Activities increased 45.5%, from Ps. 554 million in fiscal year 2014 to Ps. 806 million in fiscal year 2015, mainly as a result of:

·

a 50% increase in sales to the domestic market and by-products. Domestic market prices showed an upward trend of 15% for fiscal year 2015 as compared to fiscal year 2014, while export sales fell 3.2% in fiscal year 2015 as compared to fiscal year 2014; and

·

in fiscal year 2015 average slaughtering stood at 6,398 heads per month, compared to 5,472 in fiscal year 2014.

Other segment

Revenues from the Other segment increased 2.4%, from Ps. 125 million in fiscal year 2014 to Ps. 128 million in fiscal year 2015, mainly as a result of:

·

an increase of Ps. 19 million in revenues from consignment; and

·

offset by a reduction of Ps. 6 million and Ps. 9 million in the sale of inputs and commodity brokerage services, respectively.

Urban Properties and Investments Business

	Fiscal year ended June 30, 2015				
Revenues	Statement of Income	Interests in joint ventures	Inter-segment eliminations	Maintenance Fee and Common Advertising Funds	Segment reporting
	(in million of Ps.)				
Shopping Centers	2,571	13	-	(806)	1,778
Offices and Others	397	10	5	(79)	333
Sales and Developments	9	5	-	-	14
Hotels	396	-	-	-	396
International	28	-	-	(2)	26
Financial Operations and Others	-	-	-	-	-
Total Urban Properties and Investments Business	3,401	28	5	(887)	2,547

Revenues	Fiscal year ended June 30, 2014				
	Statement of Income	Interests in joint ventures	Inter-segment eliminations	Maintenance Fee and Common Advertising Funds	Segment reporting
	(in million of Ps.)				
Shopping Centers	2,032	9	2	(660)	1,383
Offices and Others	327	10	4	(70)	271
Sales and Developments	63	23	-	-	86
Hotels	332	-	-	-	332
International	90	-	-	(6)	84
Financial Operations and Others	1	-	-	-	1
Total Urban Properties and Investments Business	2,845	42	6	(736)	2,157

Total revenues from the Urban Properties and Investments business increased 19.5%, from Ps. 2,845 million in fiscal year 2014 to Ps. 3,401 million in fiscal year 2015. This was mainly due to an increase of Ps. 395 million in the Shopping Centers segment, an increase of Ps. 62 million in the Offices and Others segment, an increase of Ps. 64 million in the Hotel segment, offset by a decrease of Ps. 1 million in the Financial Operations and Others segment, a decrease of Ps. 58 million in the International segment, and a decrease of Ps. 72 million in the Sales and Developments segment.

In turn, revenues from our interests in joint ventures decreased by 33.3%, from Ps. 42 million in fiscal year 2014 to Ps. 28 million in fiscal year 2015. Such decrease is mostly attributable to a reduction in sales revenues derived from the Horizons development, from our joint venture with CYRSA S.A.

Similarly, inter-segment revenues decreased 16.7%, from Ps. 6 million in fiscal year 2014 (out of which Ps. 4 million is attributable to the Offices and Others segment) to Ps. 5 million in fiscal year 2015 (attributable to the Offices and Others segment).

On the other hand, revenues from Maintenance Fee and Common Advertising Funds increased by 20.5%, from Ps. 736 million in fiscal year 2014 (out of which Ps. 660 million is attributable to the Shopping Centers segment) to Ps. 887 million in fiscal year 2015 (out of which Ps. 806 million is attributable to the Shopping Centers segment).

Hence, according to business segment reporting and considering all our joint ventures, inter-segment eliminations, and maintenance fee and common advertising funds, revenues increased 18.1%, from Ps. 2,157 million in fiscal year 2014 to Ps. 2,547 million in fiscal year 2015.

Shopping Centers

Revenues from the Shopping Centers segment increased 28.6%, from Ps. 1,383 million in fiscal year 2014 to Ps. 1,778 million in fiscal year 2015. Such variation was mostly attributable to:

- an increase of Ps. 317 million in revenues from fixed and variable rentals as a result of a 33.3% rise in our tenants' sales, from Ps. 16,133 million in fiscal year 2014 to Ps. 21,509 million in fiscal year 2015;

- an increase of Ps. 30 million in revenues from admission fees;

- an increase of Ps. 31 million in parking revenues; and

- an increase of Ps. 17 million in revenues from commissions, management fees and others.

Offices and Others

Revenues from the Offices and Others segment increased 22.9%, from Ps. 271 million in fiscal year 2014 to Ps. 333 million in fiscal year 2015. Such revenues were impacted by the partial sale of investment properties in fiscal year 2015, which resulted in a reduction of the segment total leasable area.

Considering comparable properties in both fiscal years, rental revenues from properties which did not experience a decrease in their leasable area increased by 30.8%, from Ps. 214 million in fiscal year 2014 to Ps. 280 million in fiscal year 2015, mostly as a result of the currency devaluation and improved occupancy, whereas rental revenues from properties whose leasable area was reduced went down by 44.4%, from Ps. 45 million in fiscal year 2014 to Ps. 25 million in fiscal year 2015.

As of year-end, the 2015 average occupancy rate of premium offices stood at 98.1% and the average rent was around 26 US$ per sqm.

Sales and Developments

Revenues attributable to this segment often vary significantly period over period. Without considering our joint ventures, revenues from the Sales and Developments segment decreased by 85.7% from Ps. 63 million in fiscal year 2014 to Ps. 9 million in fiscal year 2015. Such reduction was mainly attributable to reduced revenues from the sale of the Condominios I and II (Ps. 46 million) and El Encuentro (Ps. 8 million) developments. On the other hand, revenues from out joint ventures (Horizons) fell by 78.3%, accounting for a decrease of Ps. 18 million. Hence, total revenues derived from this segment fell by 83.7%, from Ps. 86 million in fiscal year 2014 to Ps. 14 million in fiscal year 2015.

Hotels

Revenues from our Hotels segment increased by 19.3% from Ps. 332 million in fiscal year 2014 to Ps. 396 million in fiscal year 2015, mainly as a result of a 34.2% increase in the average room rate of our hotels (in terms of Argentine pesos), partially offset by a decrease in the average occupancy rate from 67.2% in fiscal year 2014 to 65.7% in fiscal year 2015 (mainly at our Llao Llao hotel).

International

Revenues from the International segment decreased by 69.0% from Ps. 84 million in fiscal year 2014 to Ps. 26 million in fiscal year 2015, mostly due to the fact that the results of Rigby 183 LLC – owner of the rental building Madison 183 – were consolidated for only 3 months in fiscal year 2015 whereas such results were consolidated for 12 months in fiscal year 2014. This building was sold in September 2014.

Financial Operations and Others

Revenues from the Financial Operations and Others segment decreased from Ps. 1 million in fiscal year 2014 to Ps. 0 million in fiscal year 2015, as a result of reduced revenues from our personal financing residual activity.

COSTS

Our total costs increased 24.1%, from Ps. 3,266 million in fiscal year 2014 to Ps. 4,052 million in fiscal year 2015. This was mainly as a result of a 30.6% increase in the Agricultural business, from Ps. 2,617 million in fiscal year 2014 to Ps. 3,419 million in fiscal year 2015 and a 2.5% decrease in the Urban Properties and Investments business from Ps. 649 million in fiscal year 2014 to Ps. 633 million in fiscal year 2015.

Agricultural Business

	Fiscal year ended June 30, 2015			
Costs	Statement of Income	Interests in joint ventures	Inter-segment eliminations	Segment reporting
	(in million of Ps.)			
Crops	(1,744)	(42)	(33)	(1,819)
Cattle	(220)	(5)	-	(225)
Dairy	(133)	-	-	(133)
Sugarcane	(368)	-	-	(368)
Subtotal Agricultural Production	(2,465)	(47)	(33)	(2,545)
Land Transformation and Sales	(9)	-	-	(9)
Agro-industrial	(654)	-	(85)	(739)
Others segments	(105)	-	-	(105)
Agricultural rental and Services	(21)	-	-	(21)
Subtotal Others	(780)	-	(85)	(865)
Total Agricultural Business	(3,254)	(47)	(118)	(3,419)

	Fiscal year ended June 30, 2014				
Costs	Statement of Income (in million of Ps.)	Interests in joint ventures	Inter-segment eliminations		Segment reporting
Crops	(1,506)	(32)	(1)		(1,539)
Cattle	(152)	(4)		(5)	(161)
Dairy	(104)	-	-		(104)
Sugarcane	(207)	-	-		(207)
Subtotal Agricultural Production	(1,969)	(36)	(6)		(2,011)
Land Transformation and Sales	(8)	-	-		(8)
Agro-industrial	(454)	-	(26)		(480)
Others segments	(101)	-		-	(101)
Agricultural rental and Services	(17)	-		-	(17)
Subtotal Others	(572)	-		(26)	(598)
Total Agricultural Business	(2,549)	(36)		(32)	(2,617)

Total costs increased by 27.7% from Ps. 2,549 million in fiscal year 2014 to Ps. 3,254 million in fiscal year 2015. This was caused by an increase of:

- Ps. 238 million in the Crops segment;
- Ps. 68 million in the Cattle segment;
- Ps. 29 million in the Dairy segment;
- Ps. 161 million in the Sugarcane segment;
- Ps. 4 million in the Agricultural Rental and Services segment;
- Ps. 1 million in the Land Transformation and Sales segment;
- Ps. 200 million in the Agro-industrial segment, and
- Ps. 4 million in the Other segment.

In turn, the cost of our joint ventures experienced a net increase of Ps. 11 million, from 36 million in fiscal year 2014 to Ps. 47 million in fiscal year 2015, mainly as a result of an increase of Ps. 12 million in the cost of Cresca's crops, from Ps. 31 million in fiscal year 2014 to Ps. 43 million in fiscal year 2015.

Similarly, inter-segment costs rose by Ps. 86 million from Ps. 32 million in fiscal year 2014 to Ps. 118 million in fiscal year 2015, mainly as a result of the cost of Cattle sales during the year to our subsidiary Sociedad Anónima Carnes Pampeanas which was reclassified from the Cattle segment to the Agro-industrial segment and the leases of farmlands between our subsidiary Brasilagro and its subsidiaries, reclassified from the Agricultural Rental and Services segment to the Crops segment.

Hence, according to business segment reporting and considering all our joint ventures and inter-segment eliminations, costs increased by 30.6%, from Ps. 2,617 million in fiscal year 2014 to Ps. 3,419 million in fiscal year 2015.

Crops

Costs from the Crops segment increased by 18.2%, from Ps. 1,539 million in fiscal year 2014 to Ps. 1,819 million in fiscal year 2015. Costs from the Crops segment are detailed in the following table:

	Fiscal year 2015	Fiscal year 2014
	In Millions of Ps.	
Cost of sales	873	787
Cost of production	946	752
Total Costs	1,819	1,539

The cost of sales from the Crops segment increased by 10.9%, from Ps. 787 million in fiscal year 2014 to Ps. 873 million in fiscal year 2015, mainly as a result of:

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- a 23.6% increase in the volume of tons sold as compared to the previous fiscal year;

- partially offset by a 10.2% decrease in the average cost per ton of grain sold in fiscal year 2015, from Ps. 1,816 in fiscal year 2014 to Ps. 1,631 in fiscal year 2015, due to an increase in the average grain domestic market price.

The cost of sales as a percentage of sales was 94.1% in fiscal year 2014 and 88.5% in fiscal year 2015.

The cost of production from the Crops segment increased by 25.8%, from Ps. 752 million in fiscal year 2014 to Ps. 946 million in fiscal year 2015, mainly as a result of:

- a 17.6% increase in direct production costs during this fiscal year as compared to the previous one, mainly affected by the inflationary context that impacts both on the prices of leases and supplies used (agrochemicals and seeds);

- higher production volumes in fiscal year 2015 as compared to fiscal year 2014;

- a larger number of hectares in operation in own farms in fiscal year 2015 as compared to fiscal year 2014.

Total direct production costs per ton decreased 0.3%, from Ps. 1,904 per ton in fiscal year 2014 to Ps. 1,899 per ton in fiscal year 2015, mainly as a result of higher yields and higher costs in fiscal year 2015 as compared to fiscal year 2014.

Cattle

Costs of the Cattle segment increased 39.8%, from Ps. 161 million in fiscal year 2014 to Ps. 225 million in fiscal year 2015. Costs from the Cattle segment are detailed in the following table:

	Fiscal year 2015	Fiscal year 2014
	In Millions of Ps.	
Cost of sales	122	77
Cost of production	103	84
Total Costs	225	161

The cost of sales increased by 58.4%, from Ps. 77 million in fiscal year 2014 to Ps. 122 million in fiscal year 2015, mainly as a result of:

- a 57.3% increase in the cost per kilogram sold in fiscal year 2015; and

- a 0.7% increase in beef sales volumes in fiscal year 2015.

The cost of production from the Cattle segment rose by 22.6%, from Ps. 84 million in fiscal year 2014 to Ps. 103 million in fiscal year 2015. The higher cost of production from the Cattle segment in fiscal year 2015 was mainly attributable to:

- higher payroll expenses;

- higher feeding costs due to the rise in prices and higher feed costs due to the increase of animals in our own farms fattened in feedlots.

Dairy

Costs of the Dairy segment increased 27.9%, from Ps. 104 million in fiscal year 2014 to Ps. 133 million in fiscal year 2015. Costs from the Dairy segment are detailed in the following table:

	Fiscal year 2015	Fiscal year 2014
	In Millions of Ps.	
Cost of sales	68	52
Cost of production	65	52
Total Costs	133	104

The cost of sales from the Dairy segment increased by 30.8%, from Ps. 52 million in fiscal year 2014 to Ps. 68 million in fiscal year 2015, mainly as a result of:

- an increase of 32% and 119% in milk and milking cows price levels, respectively;

- a 94.3% increase in the sales volume of milking cows, offset by

- a 9.9% reduction in milk sales volume.

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Cost of production of the Dairy segment increased 25.0%, from Ps. 52 million in fiscal year 2014 to Ps. 65 million in fiscal year 2015. This increase was mainly due to the impact of increased feeding, health and payroll costs.

Sugarcane

Costs of the Sugarcane segment increased 77.8%, from Ps. 207 million in fiscal year 2014 to Ps. 368 million in fiscal year 2015. Costs from the Sugarcane segment are detailed in the following table:

	Fiscal year 2015	Fiscal year 2014
	In Millions of Ps.	
Cost of sales	188	106
Cost of production	180	101
Total Costs	368	207

The cost of sales from the Sugarcane segment increased by 77.4%, from Ps. 106 million in fiscal year 2014 to Ps. 188 million in fiscal year 2015, mainly as a result of:

.

an increase of 248,808 tons of sugarcane sold in fiscal year 2015 compared to the previous fiscal year, mainly in our subsidiary Brasilagro; and

.

an increase in the average cost per ton of sugarcane sold in fiscal year 2015, from Ps. 156 per ton in fiscal year 2014 to Ps. 204 per ton in fiscal year 2015.

The cost of sales as a percentage of sales was 85.3% in fiscal year 2014 and 94.9% in fiscal year 2015.

The cost of production of the Sugarcane segment increased 78.2%, from Ps. 101 million in fiscal year 2014 to Ps. 180 million in fiscal year 2015, mainly as a result of a higher production volume in fiscal year 2015 compared to fiscal year 2014.

The total cost of production per ton increased 25.9%, from Ps. 154 per ton in fiscal year 2014 to Ps. 194 per ton in fiscal year 2015.

Agricultural Rental and Services

The cost of sales from the Agricultural Rental and Services segment increased by 23.5%, from Ps. 17 million in fiscal year 2014 to Ps. 21 million in fiscal year 2015, mainly as a result of:

.

higher lease costs in Brasilagro, which rose by 28.8%, due to the amortization of new soil improvement works and structural expenses in the Preferencia, Chaparral, Jatobá and Araucaria farms;

.

lower costs from seed production services by 2.8%; and

·
a 3.9% increase in irrigation service costs.

Land Transformation and Sales

Cost of sales from the Land Transformation and Sales segment increased 12.5%, from Ps. 8 million in fiscal year 2014 to Ps. 9 million in fiscal year 2015. Such increase is mainly attributable to a reclassification due to discontinued activities at the feedlot land and, to a lesser extent, to increases in salary-related items and fees.

Agro-industrial

Costs of the Agro-industrial segment increased 54.0%, from Ps. 480 million in fiscal year 2014 to Ps. 739 million in fiscal year 2015, due to an inflationary context that hindered the increase in the gross marginal contribution.

Others segments

The cost of sales of the Other segment increased 4.0%, from Ps. 101 million in fiscal year 2014 to Ps. 105 million in fiscal year 2015, mainly as a result of a 12% increase in the costs from the brokerage business related to commodity trading transactions through our subsidiary FyO and higher costs of consignment transactions (versus no such transactions in fiscal year 2014) offset by a reduction in the costs of resale of inputs and others of 12% and 65%, respectively.

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Urban Properties and Investments Business

Costs	Fiscal year ended June 30, 2015				
	Statement of Income	Interests in joint ventures	Inter-segment eliminations	Maintenance Fee and Common Advertising Funds	Segment reporting
	(in million of Ps.)				
Shopping Centers	(1,103)	(4)	(4)	820	(291)
Offices and Others	(110)	(5)	-	79	(36)
Sales and Developments	(14)	(5)	-	-	(19)
Hotels	(279)	-	-	-	(279)
International	(9)	-	-	2	(7)
Financial Operations and Others	(1)	-	-	-	(1)
Total Urban Properties and Investments Business	(1,516)	(14)	(4)	901	(633)

Costs	Fiscal year ended June 30, 2014				
	Statement of Income	Interests in joint ventures	Inter-segment eliminations	Maintenance Fee and Common Advertising Funds	Segment reporting
	(in million of Ps.)				
Shopping Centers	(955)	(4)	(5)	667	(297)
Offices and Others	(111)	(4)	-	70	(45)
Sales and Developments	(19)	(16)	-	-	(35)
Hotels	(217)	-	-	-	(217)
International	(61)	-	-	7	(54)
Financial Operations and Others	(1)	-	-	-	(1)
Total Urban Properties and Investments Business	(1,364)	(24)	(5)	744	(649)

Cost of sales from our Urban Properties and Investments business increased 11.1%, from Ps. 1,364 million in fiscal year 2014 to Ps. 1,516 million in fiscal year 2015. This was mainly due to an increase of Ps. 62 million in the Hotels segment, slightly offset by a decrease of Ps. 9 million in the Offices and Others segment, a decrease of 6 million in the Shopping Centers segment, a decrease of Ps. 16 million in the Sales and Developments segment, and a decrease of Ps. 47 million in the International segment.

On the other hand, maintenance fees and Common Advertising Funds costs increased 21.1%, from Ps. 744 million in fiscal year 2014 to Ps. 901 million in fiscal year 2015, mainly due to maintenance fees and Common Advertising Funds expenses from Shopping Centers, which increased by 22.9%, from Ps. 667 million in fiscal year 2014 to Ps. 820 in fiscal year 2015, as a result of: (i) an increase of Ps. 60 million in maintenance, security, cleaning, repair and similar expenses (mainly attributable to increases in security and cleaning services and utility rates), (ii) an increase of Ps. 28 million in advertising expenses, (iii) an increase of Ps. 30 million in salaries and wages, social security contributions and other payroll expenses; (iv) an increase of Ps. 21 million in taxes, rates and contributions and other expenses, and (v) an increase of Ps. 14 million in other items (mostly as a result of travel and office supplies expenses).

In addition, costs from our joint ventures experienced a net decrease of 41.7%, from Ps. 24 million in fiscal year 2014 to Ps. 14 million in fiscal year 2015, mainly as a result of lower costs resulting from reduced sales of the Horizons development.

Finally, costs from inter-segment operations decreased by 20.0%, from Ps. 5 million in fiscal year 2014 to Ps. 4 million in fiscal year 2015, mainly as a result of a change in the cost allocation of our Shopping Centers.

Hence, according to business segment reporting and considering all our joint ventures and inter-segment eliminations, costs decreased by 2.5%, from Ps. 649 million in fiscal year 2014 to Ps. 633 million in fiscal year 2015.

Shopping Centers

Costs from the Shopping Centers segment decreased by 2.0%, from Ps. 297 million in fiscal year 2014 to Ps. 291 million in fiscal year 2015. This reduction is mainly attributable to:

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a reduction of Ps. 36 million in costs from a deficit in maintenance fees and Common Advertising Funds from our Shopping Centers; and

.

a decrease of Ps. 4 million in our depreciation and amortization expense;

.

partially offset by increased costs resulting from: an increase of Ps. 13 million in maintenance, security, cleaning, repair and similar expenses (mainly attributable to increases in security and cleaning services and utility rates); an increase of Ps. 10 million in salaries and wages, social security contributions and other payroll expenses; an increase of Ps. 9 million in taxes, rates and contributions and other expenses (mostly attributable to an increase in provincial property taxes and municipal utility rates, among other things), and an increase of Ps. 5 million in fees and compensation from services.

Costs from the Shopping Centers segment, as a percentage of revenues derived from this segment, decreased from 21.5% in fiscal year 2014 to 16.4% in fiscal year 2015.

Offices and Others

Costs from the Offices and Others segment decreased by 20.0%, from Ps. 45 million in fiscal year 2014 to Ps. 36 million in fiscal year 2015. Such decrease was attributable to the partial sales of investment property for rental completed in fiscal year 2015.

Costs attributable to non-comparable properties decreased by 44.3%, from Ps. 5 million to Ps. 3 million, mainly as a result of the above mentioned sales.

In the absence of partial sales, costs - considering comparable properties in both fiscal years - decreased by 19.3%, from Ps. 37 million to Ps. 30 million, mainly as a result of a lower amortization and depreciation expense.

Costs from the Offices and Others segment, as a percentage of segment revenues, decreased from 16.6% in fiscal year 2014 to 10.8% in fiscal year 2015.

Sales and Developments

Costs attributable to this segment often vary significantly period over period, given that the several sales completed by us over the time are not recurring. Without considering our joint ventures, costs from our Sales and Developments segment decreased by 26.3% from Ps. 19 million in fiscal year 2014 to Ps. 14 million in fiscal year 2015. Such reduction was mainly attributable to lower costs from the sale of units of Condominios I and II (Ps. 7 million), partially offset by higher costs from maintenance of land reserves and real property for sale (Ps. 5 million).

Costs from our joint ventures (Horizons) went down by 68.8%, accounting for a decrease of Ps. 11 million. Hence, total costs from this segment fell by 45.7%, from Ps. 35 million in fiscal year 2014 to Ps. 19 million in fiscal year 2015.

Costs from the Sales and Developments segment, as a percentage of revenues derived from this segment, increased by 40.7% in fiscal year 2014 to 135.7% in fiscal year 2015.

Hotels

Costs from the Hotels segment increased by 28.6%, from Ps. 217 million in fiscal year 2014 to Ps. 279 million in fiscal year 2015, mainly as a result of:

- an increase of Ps. 41 million in salaries and wages, social security contributions and other payroll expenses;

- an increase of Ps. 11 million in the cost of food, beverages and other hotel-related expenses; and

- an increase of Ps. 8 million in maintenance and repair expenses, among other items.

Costs from the Hotels segment, as a percentage of revenues derived from this segment, increased from 65.4% in fiscal year 2014 to 70.5% in fiscal year 2015.

International

Costs from the International segment decreased by 87.0%, from Ps. 54 million in fiscal year 2014 to Ps. 7 million in fiscal year 2015 mostly due to the fact that the results of Rigby 183 LLC – owner of the rental building Madison 183 - were consolidated for only 3 months in fiscal year 2015 whereas such results were consolidated for 12 months in fiscal year 2014. This building was sold in September 2014. In addition, the three-month period in fiscal year 2015 does not include amortization and depreciation since the property had been classified as available for sale as of June

30, 2014.

Costs from the International segment, as a percentage of revenues derived from this segment, decreased from 64.3% in fiscal year 2014 to 26.9% in fiscal year 2015.

Financial Operations and Others

Costs from the Financial Operations and Other segment remained stable at Ps. 1 million during fiscal years 2014 and 2015.

Costs from the Financial Operations and Other segment, as a percentage of revenues derived from this segment, do not reflect any significant percentage amounts.

Initial recognition and changes in the fair value of biological assets and agricultural products at the point of harvest

	Fiscal year ended June 30, 2015			
Initial recognition and changes in the fair value of biological assets and agricultural products at the point of harvest	Statement of Income	Interests in joint ventures	Inter-segment eliminations	Segment reporting
	(in million of Ps.)			
Crops	897	21	-	918
Cattle	165	2	-	167
Dairy	75	-	-	75
Sugarcane	187	-	-	187
Subtotal Agricultural Production	1,324	23	-	1,347
Land Transformation and Sales	-	-	-	-
Agro-industrial	-	-	-	-
Others segments	-	-	-	-
Agricultural rental and Services	-	-	-	-
Subtotal Others	-	-	-	-
Total Agricultural Business	1,324	23	-	1,347

Initial recognition and changes in the fair value of biological assets and agricultural products at the point of harvest	Fiscal year ended June 30, 2014 Statement of Income	Interests in joint ventures	Inter-segment eliminations	Segment reporting
	(in million of Ps.)			
Crops	848	20	-	868
Cattle	145	-	-	145
Dairy	63	-	-	63
Sugarcane	96	-	-	96
Subtotal Agricultural Production	1,152	20	-	1,172
Land Transformation and Sales	-	-	-	-
Agro-industrial	-	-	-	-
Others segments	-	-	-	-
Agricultural rental and Services	-	-	-	-
Subtotal Others	-	-	-	-
Total Agricultural Business	1,152	20	-	1,172

Our revenues from initial recognition and changes in the fair value of biological assets and agricultural products at the point of harvest increased 14.9%, from Ps. 1,152 million in fiscal year 2014 to Ps. 1,324 million in fiscal year 2015.

In turn, our revenues from initial recognition and changes in the fair value of biological assets and agricultural products at the point of harvest derived from our interests in joint ventures increased 15.0%, from Ps. 20 million in fiscal year 2014 to Ps. 23 million in fiscal year 2015.

On the other hand, there were no inter-segment eliminations in connection with revenues from initial recognition and changes in the fair value of biological assets and agricultural products at the point of harvest.

Hence, according to business segment reporting and considering all our joint ventures, revenues from initial recognition and changes in the fair value of biological assets and agricultural products at the point of harvest increased by 14.9%, from Ps. 1,172 million in fiscal year 2014 to Ps. 1,347 million in fiscal year 2015.

Crops

Production income from the Crops segment increased by 5.8%, from Ps. 868 million in fiscal year 2014 to Ps. 918 million in fiscal year 2015, mainly as a result of:

.

a 17.9% increase in the total production volume from 344,165 tons in fiscal year 2014 to 405,882 tons in fiscal year 2015;

.

a 3.3% decrease in grain production average price; and

.

partially offset by a 71.1% decrease in expected revenues.

As of June 30, 2015 the harvested area was 100% of our total sown area, compared to 98.9% as of June 30, 2014.

The following table shows the number of tons produced and total production income as of June 30, 2015 and 2014:

Crops Production Income (in tons and millions of Ps.)

	Fiscal year ended June 30			
	2015		2014	
	Tons	Ps.	Tons	Ps.
Corn	92,093	84	79,239	79
Soybean	279,356	625	241,205	564
Wheat	16,211	13	12,373	12
Sorghum	1,202	1	4,058	1
Sunflower	11,720	27	5,884	16
Other	5,300	20	1,406	3
Total	405,882	770	344,165	675

Estimated results from the valuation of our crops in progress at fair value decreased 71.2%, from Ps. 170 million in fiscal year 2014 to Ps. 49 million in fiscal year 2015, mainly due to a reduction of 68.4% in corn crops.

Cattle

Production income from the Cattle segment increased by 15.2%, from Ps. 145 million in fiscal year 2014 to Ps. 167 million in fiscal year 2015, mainly as a result of:

.

a 51.8% increase in the average price per kilogram produced, from Ps. 9.7 per kilogram in fiscal year 2014 to Ps. 14.8 per kilogram in fiscal year 2015;

.

a 13.8% increase in cattle production volume from 6,948 tons in fiscal year 2014 to 7,905 tons in fiscal year 2015;

.

offset by a 36.5% reduction in holding gains.

The calving rate decreased slightly 3.6%, whereas the death rate decreased by 27.2% during fiscal year 2015 as compared to fiscal year 2014.

The number of hectares devoted to Cattle production decreased from 95,745 hectares in fiscal year 2014 to 88,643 hectares in fiscal year 2015 due to a smaller number of leased land devoted to Cattle production.

Dairy

Production income from the Dairy segment increased by 19.0%, from Ps. 63 million in fiscal year 2014 to Ps. 75 million in fiscal year 2015, mainly as a result of:

.

the result from holding of milking cows, which increased 3.0%, from a gain of Ps. 8.6 million in fiscal year 2014 to a gain of Ps. 8.9 million in fiscal year 2015, as the inflationary context led to a significant rise in prices;

.

a 31.9% increase in the average price of milk, from Ps. 2.59 per liter in fiscal year 2014 to Ps. 3.42 per liter in fiscal year 2015; and

.

an increase of 7.1% in milk production volumes and a 41.6% increase in the average price, offset by

.

a 9.3% decrease in the milk production volume, from 19.3 million of liters in fiscal year 2014 to 17.5 million of liters in fiscal year 2015. This reduction in production volume was mainly due to a lower average number of milking cows per day, from 2,439 in fiscal year 2014 to 2,189 in fiscal year 2015, partially offset by a 9.1% increase in the efficiency level of average daily milk production per cow, from 19.7 liters in fiscal year 2014 to 21.5 liters in fiscal year 2015.

Sugarcane

Production income from the Sugarcane segment increased by 94.8%, from Ps. 96 million in fiscal year 2014 to Ps. 187 million in fiscal year 2015, mainly as a result of:

·

a 41.2% increase in total production volume from 657,547 tons in fiscal year 2014 to 928,273 tons in fiscal year 2015; and

·

a 23.1% increase in the average production price of sugarcane.

The 41.2% increase in the production volume from the Sugarcane segment was attributable to a 12.3% increase in our average yield from 81.2 ton/ha to 91.2 ton/ha.

The following table shows the actual tons produced and income as of June 30, 2015 and 2014:

Sugarcane Production Income (in tons and millions of Ps.)

	Fiscal year ended June 30			
	2015		2014	
	Tons	Ps.	Tons	Ps.
Sugarcane	928,273	185	657,547	106

Estimated results from the valuation of our sugarcane crops in progress at fair value

Estimated results from the valuation of our sugarcane crops in progress at fair value increased significantly from a loss of 10 million in fiscal year 2014 to a gain of Ps. 2 million in fiscal year 2015 mainly generated by Brasilagro. This variation originated mainly in Brazil, and was caused by the following factors:

·

the number of estimated hectares went up from a year-on-year decrease of 13.0% in fiscal year 2014 to a year-on-year increase of 33.4% in fiscal year 2015;

·

the estimated yields went up from a from a year-on-year decrease of 2.0% in fiscal year 2014 to a year-on-year increase of 2.4% in fiscal year 2015; and

·

the estimated unit costs went down from a year-on-year increase of 15.0% in fiscal year 2014 to a year-on-year increase of 10.0% in fiscal year 2015.

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Changes in the net realizable value of agricultural products after harvest

Changes in the net realizable value of agricultural products after harvest	Fiscal year ended June 30, 2015 Statement of Income	Interests in joint ventures	Inter-segment eliminations	Segment reporting
	(in million of Ps.)			
Crops	(34)	-	-	(34)
Cattle	-	-	-	-
Dairy	-	-	-	-
Sugarcane	-	-	-	-
Subtotal Agricultural Production	(34)	-	-	(34)
Land Transformation and Sales	-	-	-	-
Agro-industrial	-	-	-	-
Others segments	-	-	-	-
Agricultural rental and Services	-	-	-	-
Subtotal Others	-	-	-	-
Total Agricultural Business	(34)	-	-	(34)

Changes in the net realizable value of agricultural products after harvest	Fiscal year ended June 30, 2014 Statement of Income	Interests in joint ventures	Inter-segment eliminations	Segment reporting
	(in million of Ps.)			
Crops	(17)	-	-	(17)
Cattle	-	-	-	-
Dairy	-	-	-	-
Sugarcane	-	-	-	-
Subtotal Agricultural Production	(17)	-	-	(17)
Land Transformation and Sales	-	-	-	-
Agro-industrial	-	-	-	-
Others segments	-	-	-	-
Agricultural rental and Services	-	-	-	-
Subtotal Others	-	-	-	-
Total Agricultural Business	(17)	-	-	(17)

Income from changes in the net realizable value of agricultural products after harvest decreased significantly, from a loss of Ps. 17 million in fiscal year 2014 to a loss of Ps. 34 million in fiscal year 2015. This was caused mainly by a reduction of Ps. 17 million in the Crops segment (mainly due to the first quarter's 21% reduction in the net realizable value of corn in Argentina).

No interest in joint ventures or inter-segment elimination was recorded in income from changes in the net realizable value of agricultural products after harvest.

Gross Profit

As a result of the above mentioned factors, our gross profit increased 18.5%, from Ps. 1,859 million in fiscal year 2014 to Ps. 2,203 million in fiscal year 2015. This was caused mainly by:

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a 17.7% decrease in the Agricultural Business, from Ps. 351 million income in fiscal year 2014 to Ps. 289 million income in fiscal year 2015; and

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a 26.9% increase in the Urban Properties and Investments business, from a Ps. 1,508 million income in fiscal year 2014 to a Ps. 1,914 million income in fiscal year 2015.

Agricultural Business

As a result of the above mentioned factors, gross profit decreased 17.7%, from Ps. 351 million in fiscal year 2014 to Ps. 289 million in fiscal year 2015.

Crops

Gross profit from this segment decreased by 65.1%, from Ps. 149 million in fiscal year 2014 to Ps. 52 million in fiscal year 2015.

Cattle

Gross profit from this segment increased by 14.9%, from Ps. 74 million in fiscal year 2014 to Ps. 85 million in fiscal year 2015.

Dairy

Gross profit from this segment increased by 7.7%, from Ps. 13 million in fiscal year 2014 to Ps. 14 million in fiscal year 2015.

Sugarcane

Gross profit from this segment increased by 30.8%, from Ps. 13 million in fiscal year 2014 to Ps. 17 million in fiscal year 2015.

Agricultural Rental and Services

Gross profit from this segment increased by 233.3%, from Ps. 12 million in fiscal year 2014 to Ps. 40 million in fiscal year 2015.

Land Transformation and Sales

Gross loss from this segment increased by 12.5%, from Ps. 8 million in fiscal year 2014 to Ps. 9 million in fiscal year 2015.

Agro-industrial

Gross profit from this segment decreased by 9.5%, from Ps. 74 million in fiscal year 2014 to Ps. 67 million in fiscal year 2015.

Other

Gross profit from this segment decreased by 4.2%, from Ps. 24 million in fiscal year 2014 to Ps. 23 million in fiscal year 2015.

Urban Properties and Investments Business

Gross profit from the Urban Properties and Investments business increased 26.9% from Ps. 1,508 million in fiscal year 2014 to Ps. 1,914 million in fiscal year 2015. This was mainly due to an increase of Ps. 401 million in the Shopping Centers segment; an increase of Ps. 71 million in the Offices and Others segment; an increase of Ps. 2 million in the Hotels segment, partially offset by a reduction of Ps. 56 million in the Sales and Developments segment, a reduction of Ps. 11 million in the International segment and a reduction of Ps. 1 million in the Financial Operations and Others segment.

Shopping Centers

Gross profit from the Shopping Centers segment increased by 36.9%, from Ps. 1,086 million in fiscal year 2014 to Ps. 1,487 million in fiscal year 2015.

Offices and Others

Gross profit from the Offices and Others segment increased by 31.4%, from Ps. 226 million in fiscal year 2014 to Ps. 297 million in fiscal year 2015.

Sales and Developments

Gross profit from the Sales and Developments segment fell by 109.8% from a gain of Ps. 51 million in fiscal year 2014 to a loss of Ps. 5 million in fiscal year 2015.

Hotels

Gross profit from the Hotels segment increased by 1.7%, from Ps. 115 million in fiscal year 2014 to Ps. 117 million in fiscal year 2015.

International

Gross profit from the International segment decreased by 36.7%, from Ps. 30 million in fiscal year 2014 to Ps. 19 million in fiscal year 2015.

Financial Operations and Others

Gross loss from the Financial Operations and Others segment increased by Ps. 1 million in fiscal year 2015.

Gain from disposal of investment properties

Gain from disposal of investment properties derived from the Sales and Developments segment increased 397.8%, from a Ps. 231 million income in fiscal year 2014 to a Ps. 1,150 million income in fiscal year 2015, as a result of the sale of functional units at Maipu 1300, Intercontinental Plaza, Bouchard 551 and the sale of the 183 Madison building.

Gain from disposal of farmlands

Gain from disposal of farmlands derived from the Land Transformation and Sales segment increased 526.4%, from Ps. 91 million income in fiscal year 2014 to Ps. 570 million income in fiscal year 2015, mainly as a result of:

During fiscal year 2015

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On April 3, 2014, Cresca S.A. executed a deed of sale for an area of 24,624 hectares located in Chaco Paraguayo. The total price was US$ 14.7 million payable as follows: US$ 1.8 million was cashed upon the execution of the deed of sale; US$ 4.3 million at the time of the title conveyance; US$ 3.7 million on July 2015 interest-free; and US$ 4.9 million on July 2016 interest-free. Possession was surrendered upon the execution of the title deed and upon the creation of a mortgage as guarantee of the remaining balance on July 14, 2014. We recorded a gain of Ps. 19.1 million as a result of this transaction.

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On June 10, 2015, Brasilagro sold the remaining area of 27,745 hectares of the Cremaq farm located in the municipal district of Baixa Grande do Ribeiro (Piaui). The transaction price was Rs. 270 million (equivalent to Ps. 694.0 million), out of which Rs. 67.5 million was cashed (equivalent to Ps. 196.8 million), with the balance being payable in an estimated term of 90 days. We recorded a gain of Ps. 525.9 million as a result of this transaction.

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On October 17, 2013, Yuchán Agropecuaria executed an agreement providing for the sale, subject to retention of title, of an 1,643 hectare property in the “La Fon Fon II” farm for a total price of US$ 7.21 million (equivalent to Ps. 59.0 million). As of the date of issuance of these financial statements, the amount of US$ 1.5 million was cashed, with the remaining balance of US$ 5.71 million being payable in six semi-annual installments beginning in December this year and ending in June 2018. The agreement provides that title conveyance will be registered once the full price has been paid. On June 24, 2015, Yuchán Agropecuarria surrendered the possession of the property. We recorded a gain of US$ 2.7 million (equivalent to Ps. 24.6 million) as a result of this transaction in this fiscal year.

During fiscal year 2014

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On June 27, 2014, Brasilagro sold a fraction of 1,164 hectares in the “Araucaria” farm located in the municipal district of Mineiros, State of Goias, Brazil, that had been purchased in 2007. After the sale, the farm has a total area of 8,178 hectares, out of which approximately 5,982 hectares are arable land. The sale price was Rs. 32.5 million (equivalent to Ps. 117.5 million). In July 2014, the buyer made an initial payment of Rs. 4.5 million, and the remaining balance is payable in five installments, the first of which, for Rs. 4.5 million, matures in November 2014 and the last one at the time of execution of the title deed, in August 2018. We recorded a gain of Rs. 21.0 million (equivalent to Ps. 75.8 million) for the sale of the Araucaria farm.

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On May 27, 2014, Ombú Agropecuaria Argentina S.A. executed an agreement providing for the sale, subject to retention of title, of an 882.96 hectare property in the “San Cayetano I” farm for a total price of US$ 4.2 million. Out of this amount, the sum of US$ 1 million has been already collected and the balance is payable in 5 consecutive semi-annual installments, the last of which falls due in November 2016. The agreement provides that title conveyance will be registered once the full price has been paid. Possession was surrendered on the date of execution of the agreement. We recorded a gain of US$ 1.8 million for this sale.

General and Administrative Expenses

Our total general and administrative expenses increased 15.5%, from Ps. 541 million for fiscal year 2014 to Ps. 625 million for fiscal year 2015. This was mainly due to an increase of Ps. 6 million in the Agricultural business and an increase of Ps. 78 million in the Urban Properties and Investments business.

Agricultural Business

	Fiscal year ended June 30, 2015			
General and Administrative Expenses	Statement of Income	Interests in joint ventures	Inter-segment eliminations	Segment reporting
	(in million of Ps.)			
Crops	(156)	(3)	-	(159)
Cattle	(26)	-	-	(26)
Dairy	(5)	-	-	(5)
Sugarcane	(20)	-	-	(20)
Subtotal Agricultural Production	(207)	(3)	-	(210)
Land Transformation and Sales	(2)	-	-	(2)
Agro-industrial	(25)	-	-	(25)
Others segments	(8)	-	-	(8)
Agricultural rental and Services	(2)	-	-	(2)
Subtotal Others	(35)	-	-	(35)
Total Agricultural Business	(244)	(3)	-	(247)

	Fiscal year ended June 30, 2014			
General and Administrative Expenses	Statement of Income	Interests in joint ventures	Inter-segment eliminations	Segment reporting
	(in million of Ps.)			
Crops	(146)	(1)	-	(147)
Cattle	(26)	(1)	-	(27)
Dairy	(6)	-	-	(6)
Sugarcane	(28)	-	-	(28)
Subtotal Agricultural Production	(206)	(2)	-	(208)
Land Transformation and Sales	(1)	-	-	(1)
Agro-industrial	(17)	-	-	(17)
Others segments	(9)	(2)	-	(11)
Agricultural rental and Services	(4)	-	-	(4)
Subtotal Others	(30)	(2)	-	(32)
Total Agricultural Business	(237)	(4)	-	(241)

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General and administrative expenses from our Agricultural business increased 1.7%, from Ps. 237 million in fiscal year 2014 to Ps. 244 million in fiscal year 2015. This was mainly due to an increase of Ps. 10 million in the Crops segment, an increase of Ps. 1 million in the Land Transformation and Sales segment, an increase of Ps. 8 million in the Agro-industrial segment, slightly offset by a reduction of Ps. 1 million in the Cattle segment, a reduction of Ps. 1 million in the Dairy segment, a reduction of Ps. 8 million in the Sugarcane segment, a reduction of Ps. 2 million in the Agricultural Rental and Services segment, and a reduction of Ps. 1 million in the Other segment. The main causes of this variation were:

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the changes in Doneldon's administrative expenses from Bolivia since a severance payment was accrued for (HF) and bonus allowances started to be set up (US); bonuses for fiscal year 2014 were paid for (which had not been accrued for because of a subsequent change in the Company's policy) and bonuses for fiscal year 2015 were accrued for in fiscal year 2015;

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an increase in Carnes Pampeanas S.A.'s headcount to support the increase in operation volume and overtime; and

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a 26% rise in expenses as a result of the inflationary context.

In turn, general and administrative expenses from our joint ventures decreased by Ps. 1 million, from Ps. 4 million in fiscal year 2015 to Ps. 3 million in fiscal year 2016.

On the other hand, no general and administrative expenses arose from inter-segment eliminations.

Hence, according to business segment reporting and considering all our joint ventures, general and administrative expenses increased by 3.0%, from Ps. 241 million in fiscal year 2014 to Ps. 247 million in fiscal year 2015.

Urban Properties and Investments Business

General and Administrative Expenses	Fiscal year ended June 30, 2015			
	Statement of Income	Interests in joint ventures	Inter-segment eliminations	Segment reporting
	(in million of Ps.)			
Shopping Centers	(135)	-	-	(135)
Offices and Others	(58)	(1)	-	(59)
Sales and Developments	(48)	(1)	(1)	(50)
Hotels	(77)	-	(1)	(78)
International	(56)	-	-	(56)
Financial Operations and Others	-	-	-	-
Total Urban Properties and Investments Business	(374)	(1)	(3)	(378)

General and Administrative Expenses	Fiscal year ended June 30, 2014			
	Statement of Income	Interests in joint ventures	Inter-segment eliminations	Segment reporting
	(in million of Ps.)			
Shopping Centers	(101)	-	(1)	(102)
Offices and Others	(42)	-	-	(42)
Sales and Developments	(36)	(1)	-	(37)
Hotels	(59)	-	(1)	(60)
International	(59)	-	-	(59)
Financial Operations and Others	-	-	-	-
Total Urban Properties and Investments Business	(297)	(1)	(2)	(300)

General and administrative expenses from our Urban Properties and Investments Business increased 25.9%, from Ps. 297 million in fiscal year 2014 to Ps. 374 million in fiscal year 2015. This was mainly due to an increase of Ps. 34 million in the Shopping Centers segment; an increase of Ps. 16 million in the Offices and Others segment; an increase of Ps. 18 million in the Hotels segment, an increase of Ps. 12 million in the Sales and Developments segment, partially offset by a reduction of Ps. 3 million in the International segment.

On the other hand, administrative expenses from our joint ventures did not change in fiscal year 2015 compared to fiscal year 2014, remaining stable at Ps. 1 million.

Hence, according to business segment reporting and considering all our joint ventures and inter-segment eliminations, administrative expenses increased by 26.0%, from Ps. 300 million in fiscal year 2014 to Ps. 378 million in fiscal year 2015. Based on the reported business segment reporting and considering our joint ventures and inter-segment eliminations, administrative expenses as a percentage of sales increased from 13.9% in fiscal year 2014 to 14.8% in fiscal year 2015.

Shopping Centers

Administrative expenses from the Shopping Centers segment increased by 32.4%, from Ps. 102 million in fiscal year 2014 to Ps. 135 million in fiscal year 2015, mainly due to:

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an increase of Ps. 25 million in Directors' fees;

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an increase of Ps. 3 million in fees and compensation from services;

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an increase of Ps. 2 million in amortization and depreciation, and

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an increase of Ps. 3 million in other miscellaneous items, such as, maintenance, security, cleaning, repair and similar expenses, and taxes, rates and contributions.

Administrative expenses from the Shopping Centers segment as a percentage of segment revenues increased from 7.3% in fiscal year 2014 to 7.7% in fiscal year 2015.

Offices and Others

Administrative expenses from the Offices and Others segment increased by 40.5%, from Ps. 42 million in fiscal year 2014 to Ps. 59 million in fiscal year 2015, mainly due to: (i) an increase of Ps. 5 million in fees and compensation from services; (ii) an increase of Ps. 5 million in salaries and wages, social security contributions and other payroll expenses; (iii) an increase of Ps. 2 million in Directors' fees; (iv) an increase of Ps. 2 million in travel and office supplies expenses, and (v) an increase of Ps. 2 million in bank expenses.

As a percentage of segment revenues, general and administrative expenses increased from 15.4% in fiscal year 2014 to 17.7% in fiscal year 2015.

Sales and Developments

General and administrative expenses from the Sale and Developments segment increased by 35.1%, from Ps. 37 million in fiscal year 2014 to Ps. 50 million in fiscal year 2015, mainly due to: (i) an increase of Ps. 4 million in fees and compensation from services; (ii) an increase of Ps. 2 million in salaries and wages, social security contributions and other payroll expenses; (iii) an increase of Ps. 2 million in Directors' fees; (iv) an increase of Ps. 2 million in travel and office supplies expenses, and (v) an increase of Ps. 1 million in bank expenses. General and administrative expenses from the Sales and Developments segment, as a percentage of revenues derived from this segment, increased from 43.9% in fiscal year 2014 to 362.5% in fiscal year 2015.

Considering the gain from disposal of investment properties, such percentages decreased from 4% in fiscal year 2014 to 0.5% in fiscal year 2015.

Hotels

General and administrative expenses from the Hotels segment increased by 30%, from Ps. 60 million in fiscal year 2014 to Ps. 78 million in fiscal year 2015, mainly due to:

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an increase of Ps. 10 million in salaries and wages, social security contributions and other payroll expenses;

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an increase of Ps. 3 million in maintenance and repair expenses, and

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an increase of Ps. 2 million in the cost of fees from services and an increase of Ps. 1 million in the cost of food, beverages and other hotel-related expenses, among other items.

General and administrative expenses from the Hotels segment, as a percentage of revenues derived from this segment, increased from 18.0% in fiscal year 2014 to 19.6% in fiscal year 2015.

International

General and administrative expenses from the International segment decreased by Ps. 3 million from Ps. 59 million in fiscal year 2014 to Ps. 56 million in fiscal year 2015, mostly due to the fact that the results of Rigby 183 LLC – owner of the rental building Madison 183 which was sold in September 2014- were consolidated for only three months in fiscal year 2015 whereas such results were consolidated for 12 months in fiscal year 2014, and to lower expenses incurred in connection with our interest in IDBD.

General and administrative expenses from the International segment, as a percentage of revenues derived from this segment, increased from 70.9% in fiscal year 2014 to 215.5% in fiscal year 2015.

Selling expenses

Our total selling expenses increased 33.6%, from Ps. 360 million for fiscal year 2014 to Ps. 481 million for fiscal year 2015. This was mainly due to an increase of Ps. 76 million in the Agricultural business and an increase of Ps. 45 million in the Urban Properties and Investments business.

Agricultural Business

	Fiscal year ended June 30, 2015			
Selling Expenses	Statement of Income	Interests in joint ventures	Inter-segment eliminations	Segment reporting
	(in million of Ps.)			
Crops	(157)	(3)	(1)	(161)
Cattle	(20)	-	-	(20)
Dairy	(4)	-	-	(4)
Sugarcane	(8)	-	-	(8)
Subtotal Agricultural Production	(189)	(3)	(1)	(193)
Land Transformation and Sales	(1)	(1)	-	(2)
Agro-industrial	(77)	-	-	(77)
Others segments	(13)	-	-	(13)
Agricultural rental and	(1)	-	-	(1)

Services				
Subtotal Others	(91)	-	-	(91)
Total Agricultural Business	(281)	(4)	(1)	(286)

Selling Expenses	Fiscal year ended June 30, 2014 Statement of Income	Interests in joint ventures	Inter-segment eliminations	Segment reporting
	(in million of Ps.)			
Crops	(113)	(2)	-	(115)
Cattle	(14)	-	-	(14)
Dairy	(2)	-	-	(2)
Sugarcane	(8)	-	-	(8)
Subtotal Agricultural Production	(137)	(2)	-	(139)
Land Transformation and Sales	(4)	-	-	(4)
Agro-industrial	(55)	-	-	(55)
Others segments	(11)	-	-	(11)
Agricultural rental and Services	(1)	-	-	(1)
Subtotal Others	(67)	-	-	(67)
Total Agricultural Business	(208)	(2)	-	(210)

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Selling expenses from our Agricultural business increased 35.1% from Ps. 208 million in fiscal year 2014 to Ps. 281 million in fiscal year 2015. This was caused mainly by an increase of Ps. 44 million in the Crops segment, an increase of Ps. 6 million in the Cattle segment, an increase of Ps. 2 million in the Dairy segment, an increase of Ps. 22 million in the Agro-industrial segment, and an increase of Ps. 2 million in the Other segment, partially offset by a reduction of Ps. 3 million in the Land Transformation and Sales segment.

In turn, selling expenses from our interests in joint ventures increased by 100% from Ps. 2 million in fiscal year 2014 to Ps. 4 million in fiscal year 2015, in connection with our Cresca joint venture.

On the other hand, inter-segment eliminations increased by Ps. 1 million in fiscal year 2015 compared to fiscal year 2014, in which there had been no inter-segment eliminations from selling expenses.

Hence, according to business segment reporting and considering all our joint ventures and inter-segment eliminations, selling expenses increased by 36.2%, from Ps. 210 million in fiscal year 2014 to Ps. 286 million in fiscal year 2015.

Urban Properties and Investments Business

Selling expenses	Fiscal year ended June 30, 2015 Statement of Income (in million of Ps.)	Interests in joint ventures	Inter-segment eliminations	Segment reporting
Shopping Centers	(112)	(1)	-	(113)
Offices and Others	(21)	-	-	(21)
Sales and Developments	(8)	(1)	-	(9)
Hotels	(52)	-	-	(52)
International	-	-	-	-
Financial Operations and Others	-	-	-	-
Total Urban Properties and Investment Business	(193)	(2)	-	(195)

Selling expenses	Fiscal year ended June 30, 2014 Statement of Income (in million of Ps.)	Interests in joint ventures	Inter-segment eliminations	Segment reporting
Shopping Centers	(72)	(1)	-	(73)
Offices and Others	(21)	-	-	(21)
Sales and Developments	(11)	(3)	-	(14)
Hotels	(42)	-	-	(42)
International	-	-	-	-
Financial Operations and Others	-	-	-	-
Total Urban Properties and Investment Business	(146)	(4)	-	(150)

Selling expenses from our Urban Properties and Investments business increased 32.2%, from Ps. 146 million in fiscal year 2014 to Ps. 193 million in fiscal year 2015. This was mainly due to an increase of Ps. 40 million in the Shopping Centers segment, an increase of Ps. 10 million in the Hotels segment, partially offset by a reduction of Ps. 3 million in the Sales and Developments segment.

On the other hand, selling expenses from our joint ventures went down by 50%, from Ps. 4 million in fiscal year 2014 (out of which Ps. 2 million was allocated to the Sales and Developments segment) to Ps. 2 million (out of which Ps. 1 million was allocated to the Sales and Developments segment) in fiscal year 2015. This reduction is mainly attributable to lower expenses from our Cyrsa S.A. joint venture as a result of the recognition of fewer sales from the Horizons development in fiscal year 2015.

Hence, based on the information by segment, selling expenses increased by 30.0% from Ps. 150 million in fiscal year 2014 to Ps. 195 million in fiscal year 2015. Based on the information by segment, selling expenses as a percentage of revenues experienced a slight increase from 7.0% in fiscal year 2014 to 7.7% in fiscal year 2015.

Shopping Centers

Selling expenses from the Shopping Centers segment increased by 54.8%, from Ps. 73 million in fiscal year 2014 to Ps. 113 million in fiscal year 2015, mainly due to:

- an increase of Ps. 18 million in taxes, rates and contributions, mainly due to a higher turnover tax liability;
- an increase of Ps. 8 million in advertising expenses;
- an increase of Ps. 5 million in bad debtors; and
- an increase of Ps. 6 million in salaries and wages, social security contributions and other payroll expenses.

Selling expenses from the Shopping Centers segment as a percentage of revenues derived from that segment increased from 5.3 % in fiscal year 2014 to 6.3% in fiscal year 2015.

Offices and Others

Selling expenses from our Offices and Others segment remained stable during fiscal years 2015 and 2014, amounting to Ps. 21 million.

Selling expenses from the Offices and Others segment, as a percentage of revenues derived from this segment, decreased from 7.6% in fiscal year 2014 to 6.3% in fiscal year 2015.

Sales and Developments

Selling expenses from the Sales and Developments segment decreased by 35.7%, from Ps. 14 million in fiscal year 2014 to Ps. 9 million in fiscal year 2015, mainly as a result of a reduction in expenses directly related to the sales volume: taxes, rates and contributions by Ps. 3 million and sales commissions by Ps. 1 million.

Selling expenses from the Sales and Developments segment, as a percentage of revenues derived from this segment, increased from 16.0% in fiscal year 2014 to 66.7% in fiscal year 2015.

Hotels

Selling expenses from our Hotels segment increased by 23.8%, from Ps. 42 million in fiscal year 2014 to Ps. 52 million in fiscal year 2015, mainly due to:

- an increase of Ps. 3 million in advertising and other selling expenses;
- an increase of Ps. 3 million in taxes, rates and contributions; and
- an increase of Ps. 3 million in salaries and wages, social security contributions and other payroll expenses, among other items.

Selling expenses from our Hotels segment as a percentage of revenues derived from this segment stood at around 13% in both fiscal years.

Financial Operations and Others

Selling expenses from our Financial Operations and Others segment did not suffer significant changes in fiscal years 2015 and 2014.

Other operating results, net

Our other operating results, net increased Ps. 88 million, from a Ps. 78 million loss in fiscal year 2014 to a Ps. 10 million income in fiscal year 2015. This was mainly due to a Ps. 10 million increase in the Agricultural business and a Ps. 78 million increase in the Urban Properties and Investment business.

Agricultural Business

Other operating results, net	Fiscal year ended June 30, 2015 Statement of Income (in million of Ps.)	Interests in joint ventures	Inter-segment eliminations	Segment reporting
Crops	(7)	(1)	(1)	(9)
Cattle	(2)	(1)	-	(3)
Dairy	(1)	-	-	(1)
Sugarcane	(2)	-	-	(2)
Subtotal Agricultural Production	(12)	(2)	(1)	(15)
Land Transformation and Sales	(5)	-	-	(5)
Agro-industrial	-	-	-	-
Others segments	1	-	-	1
Agricultural rental and Services	-	-	-	-
Subtotal Others	1	-	-	1
Total Agricultural Business	(16)	(2)	(1)	(19)

Other operating results, net	Fiscal year ended June 30, 2014 Statement of Income (in million of Ps.)	Interests in joint ventures	Inter-segment eliminations	Segment reporting
Crops	(27)	1	(1)	(27)
Cattle	(2)	-	-	(2)
Dairy	-	-	-	-
Sugarcane	-	-	-	-
Subtotal Agricultural Production	(29)	1	(1)	(29)
Land Transformation and Sales	-	-	-	-
Agro-industrial	(1)	-	-	(1)
Others segments	1	-	-	1
Agricultural rental and Services	-	-	-	-
Subtotal Others	-	-	-	-
Total Agricultural Business	(29)	1	(1)	(29)

Other operating results, net from the Agricultural business increased from a loss of Ps. 29 million in fiscal year 2014 to a loss of Ps. 16 million in fiscal year 2015, mainly as a result of a Ps. 20 million decrease in the Croops segment, partially offset by a Ps. 2 million increase in the Sugarcane segment, Ps. 5 million in the Land Transformation and Sales segment.

In turn, other operating results, net from our interests in joint ventures increased by 300% from a Ps. 1 million income in fiscal year 2014 to a Ps. 2 million loss in fiscal year 2015, in connection with our Cresca joint venture.

On the other hand, no inter-segment eliminations arose from operating results, net.

Hence, according to business segment reporting and considering all our joint ventures, other operating results, net increased from a Ps. 29 million loss in fiscal year 2014 to a Ps. 19 million loss in fiscal year 2015.

Crops

Other operating results, net of the Crops segment decreased Ps. 20 million, from a Ps. 27 million loss in fiscal year 2014 to a Ps. 7 million loss in fiscal year 2015, mainly as a result of the commodity derivatives held by Brasilagro and Cresud (Ps. 23 million), partially offset by the charge to income of the reversal of Brasilagro's contingency liability in fiscal year 2014.

Sugarcane

Other operating results, net of the Sugarcane segment increased by Ps. 2 million, from a Ps. 0.1 million gain in fiscal year 2014 to a Ps. 2 million loss in fiscal year 2015.

The rest of the segments of the Agricultural business did not record significant changes.

Urban Properties and Investments Business

	Fiscal year ended June 30, 2015			
Other operating results, net	Statement of Income	Interests in joint ventures	Inter-segment eliminations	Segment reporting
	(in million of Ps.)			
Shopping Centers	(48)	(1)	-	(49)
Offices and Others	(120)	1	1	(118)
Sales and Developments	13	-	-	13
Hotels	-		-	-
International	185	-	-	185
Financial Operations and Others	(2)	-	-	(2)
Total Urban Properties and Investments Business	28	-	1	29

	Fiscal year ended on June 30, 2014			
Other operating results, net	Statement of Income	Interests in joint ventures	Inter-segment eliminations	Segment reporting
	(in million of Ps.)			
Shopping Centers	(46)	(1)	-	(47)
Offices and Others	(1)	(3)	1	(3)
Sales and Developments	8	-	-	8
Hotels	(3)	-	-	(3)
International	(1)	-	-	(1)
Financial Operations and Others	(3)	-	-	(3)
Total Urban Properties and Investments Business	(46)	(4)	1	(49)

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Other operating results, net from the Urban Properties and Investments business increased by Ps. 74 million from a Ps. 46 million loss in fiscal year 2014 to a Ps. 28 million gain in fiscal year 2015, mainly as a result of a Ps. 185 million gain derived from the International segment.

The effect from the consolidation of our joint ventures is not material on this line. According to business segment reporting and considering all our joint ventures and inter-segment eliminations, other operating results, net improved from a Ps. 49 million loss in fiscal year 2014 to a Ps. 29 million gain in fiscal year 2015.

Shopping Centers

The net loss from other operating results of the Shopping Centers segment increased by 4.3%, from Ps. 46 million in fiscal year 2014 to Ps. 48 million in fiscal year 2015, mainly as a result of a Ps. 3 million increase in the donation charge.

The net loss from other operating results, as a percentage of revenues derived from the Shopping Centers segment, decreased from 3.3% in fiscal year 2014 to 2.7% in fiscal year 2015.

Offices and Others

The net loss from other operating results of our Offices and Others segment increased Ps. 119 million from Ps. 1 million in fiscal year 2014 to Ps. 120 million in fiscal year 2015, mainly as a result of expenses incurred in the transfer of assets from IRSA to IRSA CP for Ps. 111 million.

The net loss from operating results of our Offices and Others segment, as a percentage of revenues derived from this segment, increased from 1.1% in fiscal year 2014 to 35.3% in fiscal year 2015.

Sales and Developments

The net gain from other operating results of our Sales and Developments segment increased Ps. 5 million from Ps. 8 million in fiscal year 2014 to Ps. 13 million in fiscal year 2015, mainly due to:

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the gain recorded in fiscal year 2015 from the sale of our interest in Bitania for Ps. 16 million;

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a reduction of Ps. 2 million in the provisions for lawsuits and contingencies; partially offset by

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the non-recurrence, during fiscal year 2015, of a fee charged as “fee for admission to the undertaking” in connection with the sale of the Neuquén lot for development of a hotel that took place in fiscal year 2014.

Hotels

The net loss from operating results of our Hotels segment decreased by Ps. 3 million, from Ps. 3 million in fiscal year 2014 to Ps. 0 million in fiscal year 2015, mainly as a result of a reduction in the reserve for lawsuits and other contingencies.

The net loss from operating results of our Hotels segment, as a percentage of revenues derived from this segment, decreased from 0.8% in fiscal year 2014 to 0.1% in fiscal year 2015.

International

Other operating results, net from this segment increased from a net loss of Ps. 1 million in fiscal year 2014 to a net gain of Ps. 185 million in fiscal year 2015, mainly as a result of the gain from the partial reversal of accumulated translation differences following Rigby 183 LLC's partial liquidation.

Financial Operations and Others

Other operating results, net from our Financial Operations and Others segment decreased by Ps. 1 million from Ps. 3 million in fiscal year 2014 to Ps. 2 million in fiscal year 2015, mainly due to lower taxes deducted by BHSA on lower dividends distributed in fiscal year 2015 to our subsidiaries Ritelco and Tyrus.

Profit / (loss) from operations

As a result of the above mentioned factors, our profit / (loss) from operations increased by Ps. 1,625 million (135.2%), from a gain of Ps. 1,202 million in fiscal year 2014 to a gain of Ps. 2,827 million in fiscal year 2015.

Agricultural Business

Profit / (loss) from operations of the Agricultural business increased by Ps. 345 million (907.9%), from a Ps. 38 million loss in fiscal year 2014 to a Ps. 307 million gain in fiscal year 2015.

Crops

Loss from operations of this segment increased by Ps. 137 million (97.9%), from a Ps. 140 million loss in fiscal year 2014 to a Ps. 277 million loss in fiscal year 2015.

Cattle

Profit from operations of this segment increased by Ps. 5 million (16.1%), from a Ps. 31 million gain in fiscal year 2014 to a Ps. 36 million gain in fiscal year 2015.

Dairy

Profit from operations of this segment decreased by Ps. 1 million (20.0%), from a Ps. 5 million gain in fiscal year 2014 to a Ps. 4 million gain in fiscal year 2015.

Sugarcane

Loss from operations of this segment decreased by Ps. 10 million (43.5%), from a Ps. 23 million loss in fiscal year 2014 to a Ps. 13 million loss in fiscal year 2015.

Agricultural Rental and Services

Profit from operations of this segment increased by Ps. 30 million (428.6%), from a Ps. 7 million gain in fiscal year 2014 to a Ps. 37 million gain in fiscal year 2015.

Land Transformation and Sales

Profit from operations of this segment increased by Ps. 474 million, from a Ps. 78 million gain in fiscal year 2014 to a Ps. 552 million gain in fiscal year 2015.

Agro-industrial

Profit / (loss) from operations of this segment decreased by Ps. 36 million, from a Ps. 1 million gain in fiscal year 2014 to a Ps. 35 million loss in fiscal year 2015.

Other

Profit / (loss) from operations of this segment did no record any changes for fiscal year 2014 vs. fiscal year 2015.

Urban Properties and Investments Business

Profit from operations of this segment increased by Ps. 1,280 million (103.2%), from a Ps. 1,240 million gain in fiscal year 2014 to a Ps. 2,520 million gain in fiscal year 2015. This was mainly due to an increase of Ps. 1,364 million in the Shopping Centers, Sales and Developments, and International segments, partially offset by a Ps. 84 million reduction in the Offices and Others, Hotels, and Financial Operations and Others segments.

Shopping Centers

Profit from operations of our Shopping Centers segment increased by 37.5%, from a gain of Ps. 864 million in fiscal year 2014 to a gain of Ps. 1,190 million in fiscal year 2015.

Profit from operations of our Shopping Centers segment, as a percentage of the revenues derived from this segment, decreased from 62.5% in fiscal year 2014 to 66.9% in fiscal year 2015.

Offices and Others

Profit from operations of our Offices and Others segment decreased by 39.6%, from a gain of Ps. 160 million in fiscal year 2014 to a gain of Ps. 99 million in fiscal year 2015.

Profit from operations of our Offices and Others segment, as a percentage of the revenues derived from this segment, decreased from 59.0% in fiscal year 2014 to 29.7% in fiscal year 2015.

Sales and Developments

Profit from operations of our Sales and Developments segment increased by 360.6%, from a gain of Ps. 239 million in fiscal year 2014 to a gain of Ps. 1,099 million in fiscal year 2015.

Profit from operations of our Sales and Developments segment, as a percentage of the revenues derived from this segment, increased from 277.9% in fiscal year 2014 to 7,850.0% in fiscal year 2015.

Hotels

Profit / (loss) from operations of our Hotels segment decreased from a gain of Ps. 11 million in fiscal year 2014 to a loss of Ps. 12 million in fiscal year 2015.

International

Profit / (loss) from operations of our International segment increased from a loss of Ps. 30 million in fiscal year 2014 to a gain of Ps. 148 million in fiscal year 2015.

Financial Operations and Others

Loss from operations of our Financial Operations and Others segment did not record any significant changes, amounting to a loss of Ps. 3 million during fiscal years 2014 and 2015.

Share of loss of associates and joint ventures

Share of loss of associates and joint ventures increased by Ps. 615 million, from a loss of Ps. 410 million in fiscal year 2014 to a loss of Ps. 1,025 million in fiscal year 2015. This was caused mainly by:

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a Ps. 614 million increase in our related companies' interest in the Urban Properties and Investments business in fiscal year 2015. Such increase was mainly attributable to higher losses of Ps. 25 million from our interest in New Lipstick LLC and Ps. 66 million from our interest in Supertel (International segment), a Ps. 41 million increase in gains from our investment in BHSA, offset by negative results from our investment in IDBD for Ps. 589 million, mainly as a result of the recovery in the market value of this company's stock; and

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lower revenues of Ps. 3 million from the Agricultural business, mainly as a result of the revenues incurred in the investment in Agro-Uranga (Crops segment).

In turn, share of profit of associates and joint ventures decreased from our interests in joint ventures increased by 31.25% from Ps. 16 million income in fiscal year 2014 to a Ps. 11 million income in fiscal year 2015, mainly as a consequence of 83.3% increase in our Cresca joint venture, up from a loss of Ps. 10 million in fiscal year 2014 to a loss of Ps. 2 million in fiscal year 2015.

On the other hand, no inter-segment eliminations arose from share of (loss) / profit of associates and joint ventures.

Hence, according to business segment reporting and considering all our joint ventures, share of loss of associates and joint ventures increased by 143.19% from a Ps. 426 million loss in fiscal year 2014 to a Ps. 1,036 million loss in fiscal year 2015.

Financial results, net

We had a lower net financial loss of Ps. 1,286 million, from a loss of Ps. 2,574 million in fiscal year 2014 to a loss of Ps. 1,288 million in fiscal year 2015. This was primarily due to:

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a lower loss of Ps. 1,337 million in net exchange differences in fiscal year 2015;

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a higher loss of Ps. 168 million in net financial interest recorded in fiscal year 2015;

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a higher income of Ps. 32 million in revaluation of receivables from sale of farms in fiscal year 2015;

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a lower loss of Ps. 284 million in derivative financial instruments in fiscal year 2015; and

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slightly offset by a gain of Ps. 2 million generated by the results from Financial Operations and Others in fiscal year 2015.

Our net financial loss in fiscal year 2015 was mainly attributable to (i) a Ps. 686 million loss generated by exchange differences mainly as a result of a higher liability position in US dollars due to the issuance of new series of notes; (ii) a loss of Ps. 887 million generated by interest accrued on debt financing, mainly due to increased indebtedness and higher interest rates; and (iii) a loss of Ps. 82 million generated mainly by derivative instruments due to IDBD's tender offer.

There was a 11.7% variation in the U.S. Dollar buying rate during fiscal year 2015 (it increased from Ps. 8.133 as of June 30, 2014 to Ps. 9.088 as of June 30, 2015) as compared to the previous fiscal year, when the U.S. Dollar quotation had experienced a larger variation of 50.9% (from Ps. 5.388 as of June 30, 2013 to Ps. 8.133 as of June 30, 2014).

Income tax

Our income tax expense increased Ps. 693 million, from a Ps. 389 million gain in fiscal year 2014 to Ps. 303 million loss in fiscal year 2015. We recognize the income tax expense on the basis of the deferred tax liability method, thus recognizing temporary differences between accounting and tax assets and liabilities measurements. The main temporary differences for the Agriculture business derive from valuation of cattle stock and sale and replacement of property, plant and equipment, while those corresponding to the Urban Properties and Investments business derive from the sale and replacement of investment properties.

For purposes of determining the deferred assets and liabilities, the tax rate expected to be in force at the time of their reversion or use, according to the legal provisions enacted as of the date of issuance of these financial statements, has been applied to the identified temporary differences and tax losses.

Profit / (loss) for the Fiscal Year

Due to the above mentioned factors, our profit / (loss) for the fiscal year increased by Ps. 2,165 million (153.7%) from a Ps. 1,409 million net loss for fiscal year 2014 to a Ps. 176 million net income in fiscal year 2015. Profit / (loss) for fiscal years 2015 and 2014 is attributable to the controlling company's shareholders and non-controlling interest, as per the following detail:

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Profit / (loss) for the fiscal year attributable to the controlling company's shareholders increased from a loss of Ps. 1,068 million in fiscal year 2014 to a loss of Ps. 250 million in fiscal year 2015; and

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the non-controlling interest in controlled companies went from a loss of Ps. 341 million in fiscal year 2014 to a gain of Ps. 426 million in fiscal year 2015, mainly due to a positive variation of Ps. 356 million in Brasilagro, a Ps. 162 million variation in our subsidiary IRSA, and a Ps. 113 million variation in other companies from the Urban Properties and Investments business.

B. LIQUIDITY AND CAPITAL RESOURCES

Liquidity

Our main sources of liquidity have historically been:

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cash generated by operations;

cash generated by our issuance of common shares and non-convertible notes;

cash proceeds from borrowings (including cash from bank loans and overdrafts) and financing arrangements (including cash from the exercise of warrants); and

cash proceeds from sale of investment and trading properties and property, plant and equipment (including cash proceeds from the sale of farmlands).

Our main cash requirements or uses (other than in connection with our operating activities) have historically been:

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acquisition of subsidiaries and non-controlling interest in subsidiaries;

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acquisition of interest in associates and joint ventures;

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capital contributions to associates and joint ventures;

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capital expenditures in property, plant and equipment (including acquisitions of farmlands) and investment and trading properties;

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payments of short-term and long-term debt and payment of the related interest expense; and

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payment of dividends.

Our liquidity and capital resources include our cash and cash equivalents, proceeds from operating activities, sales of investment properties, trading properties and farms, obtained bank borrowings, long-term debts incurred and capital funding.

Cash Flows

The table below shows our cash flow for the fiscal years ended June 30, 2016, 2015 and 2014:

For the fiscal year ended June 30,

	2016	2015	2014
	(in million of Pesos)		
Net cash generated from operating activities	4,055	494	883
Net cash generated from / (used in) investing activities	8,652	872	(886)
Net cash used in financing activities	(4,495)	(1,776)	(446)
Net increase(decrease) in cash and cash equivalents	8,212	(410)	(449)

As of June 30, 2016, we had negative working capital of Ps. 478 million (calculated as current assets less current liabilities as of such date).

As of June 30, 2016, in our Agricultural business, we had positive working capital of Ps. 595 million (calculated as current assets less current liabilities as of such date).

As of June 30, 2016, in our Urban Properties and Investments Business, our Operation Center in Argentina had negative working capital of Ps. 185 million while our Operations Center in Israel had negative working capital of Ps.888 million, resulting in a consolidated negative working capital of Ps. 1073 million (calculated as current assets less current liabilities as of such date).

At the same date, our Operations Center in Argentina had cash and cash equivalents of Ps.95 million while our Operations Center in Israel had cash and cash equivalents of Ps.13,771 million, totaling consolidated cash and cash equivalents for Ps.13,866 million.

IDBD has diverse debts containing certain covenants which have been successively negotiated, resulting in several waivers expiring in December 2016. IDBD estimates that if the original covenants of such loans were to become effective again, it would not be able to honor them. Non-compliance could have the effect of creditors requiring immediate repayment of the debt. As a holding company, IDBD's main sources of funds derive from the dividends distributed by its subsidiaries, which have experienced a reduction in recent years. Yet, there are restrictions as to the payment of dividends based on the indebtedness level in some subsidiaries. IDBD has projected future cash flows and expects to have the required liquidity to meet its commitments by issuing new debt in Israel, selling financial assets such as Clal and dividend payouts by Clal. IDBD could also secure additional financing through the private issuance of equity securities. All factors mentioned above, mainly (i) IDBD's current financial position and need of financing to honor its financial debt and other commitments, (ii) the renegotiation underway with financial creditors, and (iii) the term set by Israel's governmental authorities to sell the equity interest in Clal and the potential effects of such sale, in particular, on its market value, raise significant uncertainties as to IDBD's capacity to continue as a going-concern.

The financial position of IDBD and its subsidiaries at the operations center in Israel does not affect the financial position of IRSA and its subsidiaries at the operations center in Argentina. The operation center in Argentina is not facing financial constraints and is compliant with their financial commitments. We believe our working capital and our cash from operating activities are adequate for our present and future requirements. If cash generated from our operations is at any time insufficient to finance our working capital, we would seek to finance such working capital needs through debt financing or equity issuances or through the sale of selective assets.

In addition, the commitments and other covenants resulting from IDBD's debt do not have impact on IRSA since such debt has no recourse against IRSA and it is not granted by IRSA's assets. We do not have significant uncertainties as to the capacity as a group to operate as a going-concern perspective, with such uncertainties being limited to the operation center in Israel. For more information about our liquidity see "Item 3(d) Risk Factors" and "Recent Developments".

On September 8, 2016, IRSA issued Series VII and VIII Notes in an aggregate principal amount of Ps.384.2 million and US$184.5 million, respectively. Series VII and VIII Notes have a maturity of 36 months from its issue date. For more information, please see "Recent Developments".

On August 2, 2016, IDBD issued a new Series of Notes in the Israeli market for NIS 325 million, bearing an adjustable interest rate and maturing in 2019. Furthermore, DIC expended it issuance of Notes due 2025 for an additional NIS 360 million. For more information, please see "Recent Developments".

Net cash provided by operating activities

Fiscal Year ended June 30, 2016 and 2015.

Net cash provided by operations increased from a net cash inflow of Ps. 494 million during fiscal year ended June 30, 2015 to a net cash inflow of Ps. 4,055 million during fiscal year ended June 30, 2016. The increase in net cash provided by operating activities was primarily due to an increase in inventories of Ps. 53 million; a decrease in trade and other receivables of Ps. 7 million; a decrease in trading properties of Ps. 229 million, an increase in trade and other payables for Ps. 37 million that was partially offset by an increase of Ps. 50 million in derivative financial instruments, a decrease in payroll and social security liabilities of Ps. 33 million and an increase of Ps. 143 million in provisions during fiscal year ended June 30, 2016 compared to fiscal year ended June 30, 2015.

Our operating activities resulted in net cash inflows of Ps. 4,055 million for the fiscal year ended on June 30, 2016, mainly due to operating gains of Ps. 5,035 million, an increase of 182 million in trade and other payables, a decrease of Ps. 135 million in biological assets, a decrease in trading properties of Ps. 229 million and an increase of Ps. 52 million in payroll and social security liabilities, partially offset by the income tax paid of Ps. 811 million, an decrease of Ps. 79 million in inventories, and an increase of Ps. 487 million in trade and other receivables.

Fiscal Year ended June 30, 2015 and 2014.

Net cash provided by operations decreased from a net cash inflow of Ps. 883 million during fiscal year ended June 30, 2014 to a net cash inflow of Ps. 494 million during fiscal year ended June 30, 2015. The decrease in net cash provided by operating activities was primarily due to a decrease in biological assets of Ps. 172 million and an increase of Ps. 748 million in trade and other receivables; that was partially offset by an increase of Ps. 296 million in operating gains, a decrease in inventories of Ps. 65 million and an increase of Ps. 315 million in trade and other payables during fiscal year ended June 30, 2015 compared to fiscal year ended June 30, 2014.

Our operating activities resulted in net cash inflows of Ps. 494 million for the fiscal year ended on June 30, 2015, mainly due to operating gains of Ps. 1,199 million, an increase of Ps. 145 million in trade and other payables, a decrease of Ps. 115 million in biological assets, and an increase of Ps. 85 million in payroll and social security liabilities, partially offset by the income tax paid of Ps. 430 million, an decrease of Ps. 132 million in inventories, and an increase of Ps. 480 million in trade and other receivables.

Net cash used in investing activities

Fiscal Year ended June 30, 2016 and 2015.

Net cash used in investing activities increased from a net cash outflow of Ps. 872 million during fiscal year ended on June 30, 2015 to a net cash inflow of Ps. 8,652 million during fiscal year ended on June 30, 2016. This variation was mainly due to an increase in cash incorporated by business combination of Ps. 9,193 million, a decrease in acquisition of interest in associates and joint ventures of Ps. 1,242 million, an increase in disposal of investment in financial assets for Ps. 9,642 million; this increase was partially offset by an increase purchases of investment properties of Ps. 638 million, a decrease of Ps. 1,053 million from sale of investment properties and an increase in purchases of property, plant and equipment of Ps. 924 million, an increase in acquisition of investment in financial instruments of Ps. 8,903 million and an increase in loans granted to associates and joint ventures of Ps. 852 million during fiscal year ended June 30, 2016 compared to fiscal year ended June 30, 2015.

Our investing activities resulted in net cash inflows of Ps. 8,652 million for the fiscal year ended on June 30, 2016 mainly due to the sale of financial instruments, investment properties and associates and joint ventures of Ps. 14,129 million, and Ps. 1,394 million, respectively, and cash incorporated by business combination of Ps. 9,193 million and dividends received of Ps. 593 million; partially offset by cash outflows related to acquisitions of investments in financial assets of Ps. 13,513 million, investment properties of Ps. 888 million, property, plant and equipment (including suppliers advances) of Ps. 1,152 million, loans granted to associates and joint ventures of Ps. 852 million, and capital contributions to associates and joint ventures of Ps. 207 million.

Fiscal Year ended June 30, 2015 and 2014.

Net cash used in investing activities increased from a net cash outflow of Ps. 886 million during fiscal year ended on June 30, 2014 to a net cash inflow of Ps. 872 million during fiscal year ended on June 30, 2015. This variation was mainly due to a decrease in acquisition of investment properties of Ps. 22 million, an increase of cash arising from the sale of farms of Ps. 201 million, an increase in the inflows of cash arising from the sale of financial instruments of Ps. 616 million and the sale of investment properties of Ps. 2,045 million; this increase was partially offset by an increase in acquisitions of investments in financial assets of Ps. 927 million, a decrease in acquisition of interest in associates and joint ventures of Ps. 110 million and an increase in acquisition of property, plant and equipment of Ps. 88 million during fiscal year ended June 30, 2015 compared to fiscal year ended June 30, 2014.

Our investing activities resulted in net cash inflows of Ps. 872 million for the fiscal year ended on June 30, 2015 mainly due to the sale of financial instruments, farms, investment properties and associates and joint ventures for Ps. 4,487 million, Ps. 328 million, Ps. 2,447 million, and Ps. 56 million, respectively, and dividends collected for Ps. 18 million; partially offset by cash outflows related to acquisitions of investments in financial instruments for Ps. 4,610 million, investment properties for Ps. 250 million, property, plant and equipment (including advances) for Ps. 236 million and subsidiaries, associates and joint ventures for Ps. 1,242 million, and capital contributions to associates and joint ventures for Ps. 126 million.

Net cash used in financing activities

Fiscal Year ended June 30, 2016 and 2015.

Net cash used in financing activities decreased from a net cash outflow of Ps.1,776 million during fiscal year ended June 30, 2015 to a net cash outflow of Ps. 4,495 million during fiscal year ended June 30, 2016, mainly due to an increase of Ps. 3,219 million in payments of non-convertible notes, an increase in payments of borrowings of Ps. 9,697 million, an increase of Ps. 1,160 million in acquisitions of non-controlling interest in subsidiaries, an increase in interest paid for Ps. 3,308, and an increase payment of derivative financial instruments of Ps. 387 million; the decrease was partially offset by an due to an increase cash inflows associated with the issuance of non-convertible notes of Ps. 7,319 million, increase in the cash arising from borrowings from financial entities of Ps. 5,689 million, an increase in proceeds from derivative financial instruments of Ps. 2,091 million, during fiscal year ended June 30, 2016 compared to fiscal year ended June 30, 2015.

Our financing activities resulted in net cash outflows of Ps. 4,495 million for the fiscal year ended on June 30, 2016 mainly due to the cancellation of non-convertible notes, financial loans and financial interests for Ps. 4,291 million, Ps. 11,031 million and Ps. 4,107 million, respectively, acquisition of non-controlling interest in subsidiaries for Ps. 1,192, payment of dividends for Ps. 239 million, payment of derivative financial instruments for Ps. 620 million, and repurchase of non-convertible notes for Ps. 209 million; partially offset by cash inflows associated with the issuance of non-convertible notes for Ps. 8,012 million, borrowings taking from financial entities for Ps. 7,187 million and from derivative financial instruments for Ps. 2,093 million.

Fiscal Year ended June 30, 2015 and 2014.

Net cash used in financing activities decreased from a net cash outflow of Ps.446 million during fiscal year ended June 30, 2014 to a net cash outflow of Ps. 1,776 million during fiscal year ended June 30, 2015, mainly due to an increase of Ps. 494. million in the cancellation of non-convertible notes and financial interests, an increase of Ps. 744 million in payments of financial loans, a decrease in the inflow of cash arising from the issuance of non-convertible notes of Ps. 359 million, an increase of Ps. 31 million in acquisitions of non-controlling interest, an increase in the repurchase of non-convertible notes of Ps. 142, a decrease in the proceeds from derivative financial instruments of Ps. 60 million and a decrease of Ps. 123 million in contributions from non-controlling interest; the decrease was partially offset by an increase in the cash arising from borrowings from financial entities of Ps. 705 million, a decrease in dividends paid of Ps. 210 million, a decrease in the repurchase of equity interest of Ps. 65 million and an increased of Ps. 182 million in sale of equity interest in subsidiaries to non-controlling interest, during fiscal year ended June 30, 2015 compared to fiscal year ended June 30, 2014.

Our financing activities resulted in net cash outflows of Ps. 1,776 million for the fiscal year ended on June 30, 2015 mainly due to the cancellation of non-convertible notes, financial loans and financial interests of Ps. 1,072 million, Ps. 1,334 million and Ps. 799 million, respectively, payment of dividends of Ps. 34 million, payment of seller financing of shares of Ps. 106 million, capital reduction of subsidiaries of Ps. 228 million, payment of derivative financial instruments of Ps. 233 million, and repurchase of non-convertible notes and equity interest of Ps. 305 million and Ps. 33 million, respectively; partially offset by cash inflows associated with the issuance of non-convertible notes of Ps. 693 million, borrowings taking from financial entities of Ps. 1,498 million and from associates and joint ventures of Ps. 22 million, contribution from non-controlling interest of Ps. 16 million, and sale of equity in subsidiaries to non-controlling interest of Ps. 182 million.

Indebtedness

The following table sets forth the scheduled maturities of our outstanding debt as of June 30, 2016:

	Currency	Anual Average Interest Rate	Nominal value
Agricultural business			
Cresud ´s Series XIV Notes	US$	1.50%	64
Cresud ´s Series XV Notes	Ps.	23.63%	176
Cresud ´s Series XVI Notes	US$	1.50%	218
Cresud ´s Series XVII Notes	Ps.	Badlar + 375 bp.	171
Cresud ´s Series XVIII Notes	US$	4.00%	68
Cresud ´s Series XIX Notes	Ps.	27.50%	187
Cresud ´s Series XX Notes	US$	2.50%	36
Cresud ´s Series XXI Notes	Ps.	Badlar + 375 bp.	384
Cresud ´s Series XXII Notes	US$	4.00%	44
Bank loans	US$	Libor + 300 bp. or 6% (the higher)	30
Bank loans	Ps.	15.01%	31
Bank loans	Ps.	Rate Survey PF 30-59 days	40
Bank loans	US$	3.50%	15
Bank loans	US$	10.75% - 7.14% to 14.5%	6
Bank loans	Bol.	7% - 10.19%	14
Operations Center in Argentina			
IRSA Commercial Properties’ 2017 Notes	$	Badlar + 4 bp.	407
IRSA Commercial Properties’ 2023 Notes	US$	8.75%	360
IRSA Commercial Properties’ 2017 Notes	US$	7.88%	-
IRSA’s 2017 Notes(1)	US$	8.50%	75
IRSA’s 2017 Notes	$	Badlar + 450 bp.	11
IRSA’s 2020 Notes	US$	11.50%	75
Financial Leases	US$	3.2% al 14.3%	1
Related Party	$	Badlar	15
Bank loans	$	15.25%	1
Bank loans	$	26.50%	7
Bank loans	$	23.00%	36

Related Party	$	Badlar / 8,50%	6
Related Party	$	15.25%	6
Related Party	$	24.00%	6
Seller financing	US$	N/A	2
Seller financing	US$	3.50%	5
Bank overdrafts	$	from 22% to 39%	-

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Operations Center in Israel		
Non -convertible Notes IDBD Serie G	NIS 4.50%	802
Non -convertible Notes IDBD Serie I	NIS 4.95%	1.013
Non -convertible Notes IDBD Serie J	NIS 6.60%	309
Non -convertible Notes DIC Serie D	NIS 5.00%	103
Non -convertible Notes DIC Serie F	NIS 4.95%	2.719
Non -convertible Notes DIC Serie G	NIS 6.35%	8
Non -convertible Notes DIC Serie H	NIS 4.45%	124
Non -convertible Notes DIC Serie I	NIS 6.70%	513
Non -convertible Notes Shufersal Serie B	NIS 5.20%	1.024
Non -convertible Notes Shufersal Serie C	NIS 5.45%	114
Non -convertible Notes Shufersal Serie D	NIS 2.99%	413
Non -convertible Notes Shufersal Serie E	NIS 5.09%	392
Non -convertible Notes Shufersal Serie F	NIS 4.30%	317
Non -convertible Notes Cellcom Serie B	NIS 5.30%	185
Non -convertible Notes Cellcom Serie D	NIS 5.19%	599
Non -convertible Notes Cellcom Serie E	NIS 6.25%	164
Non -convertible Notes Cellcom Serie F	NIS 4.60%	715
Non -convertible Notes Cellcom Serie G	NIS 6.99%	285
Non -convertible Notes Cellcom Serie H	NIS 1.98%	950
Non -convertible Notes Cellcom Serie I	NIS 4.14%	804
Non -convertible Notes PBC Serie C	NIS 5.00%	550
Non -convertible Notes PBC Serie D	NIS 4.95%	1.317
Non -convertible Notes PBC Serie E	NIS 4.95%	974
Non -convertible Notes PBC Serie F	NIS 7.05%	669
Non -convertible Notes PBC Gav-Yam Serie E	NIS 4.55%	283
Non -convertible Notes PBC Gav-Yam Serie F	NIS 4.75%	1.226
Non -convertible Notes PBC Gav-Yam Serie G	NIS 6.41%	215
Non -convertible Notes PBC Ispro Serie B	NIS 5.40%	255
Bank loans and others	NIS Prime + 1.3%	333
Bank loans and others	NIS Prime + 1%	80
Bank loans and others	NIS Prime + 0.65%	63
Bank loans and others	NIS 6.90%	150
Bank loans and others	NIS 4.95%	1
Bank loans and others	NIS 4.95%	1
Bank loans and others	NIS 3.25%	1
Bank loans and others	US$ 5.66%	13
Bank loans and others	US$ 5.21%	197
Bank loans and others	US$ Libor + 5%	223
Bank loans and others	NIS 4.60%	200

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	Agricultural business	Urban properties and investments			Total
		Operations Center in Argentina	Operations Center in Israel	Total	
Less than 1 year	1,226	2,813	19,437	22,250	23,476
More than 1 and up to 2 years	1,210	19	16,826	16,845	18,055
More than 2 and up to 3 years	500	1	19,535	19,536	20,036
More than 3 and up to 4 years	1,332	17	4,643	4,660	5,992
More than 4 and up to 5 years	40	1,063	7,092	8,155	8,195
More than 5 years	34	5,313	36,169	41,482	41,516
	4,342	9,226	103,702	112,928	117,270

(1)
On September 9, 2016, we announced our intention to redeem all outstanding Series I Notes for a total amount of US$74,554,000. The redemption took place on October 11, 2016. For more information see "Recent Development"

Operations Center in Argentina

On March 3, 2016, IRSA and IRSA CP announced that they would launch offers to buy in cash: (i) 11.50% Class II Notes due 2020 and issued by IRSA for principal amount up to US$76.5 million, (ii) any and 8.50% Class 1 Notes due 2017 and issued by IRSA, and (iii) any and 7.875% Class 1 Notes notes due 2017 and issued by IRSA CP.

On March 23, 2016, IRSA CP issued Notes in an aggregate principal amount of US$360 million under its Global Notes Program. Class II Notes accrue interest semi-annually, at an annual fixed rate of 8.75% and mature on March 23, 2023. The issue price was 98.722% of nominal value.

IRSA CP's Notes due 2023 are subject to certain covenants, events of default and limitations, such as the limitation on incurrence of additional indebtedness, limitation on restricted payments, limitation on transactions with affiliates, and limitation on merger, consolidation and sale of all or substantially all assets.

To incur additional indebtedness, IRSA CP is required to meet a minimum 2.00 to 1.00 Consolidated Interest Coverage Ratio. The Consolidated Interest Coverage Ratio is defined as Consolidated EBITDA divided by consolidated interest expense. Consolidated EBITDA is defined as operating income plus depreciation and amortization and other consolidated non-cash charges.

The Class II Notes contain financial covenants limiting IRSA CP's ability to declare or pay dividends in cash or in kind, unless the following conditions are met at the time of payment:

a)
no Event of Default shall have occurred and be continuing;

b)
IRSA CP may incur at least US$1.00 worth of additional debt pursuant to the “Restriction on Additional Indebtedness”;

c)
and the aggregate amount of such dividend exceeds the sum of:

i.
100% of cumulative EBITDA for the period (treated as one accounting period) from July 1, 2015 through the last day of the last fiscal quarter ended prior to the date of such Restricted Payment minus an amount equal to 150% of consolidated interest expense for such period; and

ii.
any reductions of Indebtedness of IRSA on a consolidated bais after the Issue Date any reductions of Indebtedness of after the Issue Date exchanged for to Capital Stock of the IRSA or its Subsidiaries.

On April 7, 2016, the Meeting of IRSA’s Notes holders by majority vote approved the proposed amendments to IRSA’s 2017 Trust Indenture, which included basically the elimination of all restrictive covenants on such class effective as of April 8, 2016.

During the months of March, April and May of 2016, the Company acquired all IRSA CP’s 7.875% Notes Class I due 2017 for a total amount US$120 million and US$75.4 million of IRSA Notes. On October 11, 2016 the Company acquired the remaining US$74.6 million of IRSA’s 8.50% Notes due 2017, so the following notes remains outstanding:

.
IRSA’s Notes Class II at 11.50% maturing in 2020 US$71.4 million.

Such payments were accounted for as a cancellation of debt.

In relation to financial covenants under 11.50% Notes due in 2020 issued by IRSA, the Meeting of Noteholders held on March 23, 2016 approved:

i)
to modify the covenant on Limitation on Restricted Payments, so that the original covenant was replaced so as to take into consideration IRSA’s capability to make any restricted payment provided that (a) no Event of Default has occurred and persisted, and (b) IRSA may incur at least US$1.00 of additional debt pursuant to the Limitation on Additional Indebtedness; and
ii)
the exclusion of IDBD or any of its subsidiaries for purposes of the definition of “Subsidiary” or any of the definitions or commitments under the Trust Indenture of Notes due in 2020 and issued by IRSA (regardless of whether the financial statements of any of these companies has any time been consolidated into IRSA’s financial statements).
iii)
a Supplementary Trust Indenture reflecting all the amendments approved, entered into with the Bank of New York Mellon on March 28, 2016.

Operations Center in Israel

IDBD has certain financial restrictions and covenants in connection with its financial debt, included in its debentures and loans from banks and financial institutions.

As of June 30, 2016, IDBD reported that the application of the "Liquidity Covenant" and the "Economic Equity Covenant" (as described below) is currently suspended.

Note that, it was agreed between IDBD and the relevant lending corporations that the parties would work to formulate an arrangement, to replace or amend the current financial covenants by December 31, 2016.

If such arrangement is not reached, then with respect to the results for IDBDs first quarter of 2017 and thereafter, the previous financial covenants will re-apply, in which case IDBD estimates that it will not be able to comply with the thresholds which were determined in the past with respect to the Liquidity Covenant and the Economic Equity Covenant with respect to IDBD's results for the first quarter of 2017 and thereafter. IDBD estimates it will not be able to fulfill the covenant which stipulates that the balance of cash and marketable securities will not fall below the scope of forecasted current maturities for the two quarters subsequent to the reporting quarter (the "Liquidity Covenant"). Regarding the Economic Equity Covenant, it is noted that the economic equity as of June 30, 2016, amounted to a positive balance of NIS 247 million, significantly lower than the thresholds which were determined in the past as part of the Economic Equity Covenant.

In view of and due to the decrease in Mr. Ben Moshe's ownership of IDBD, effective as of February 2015 and thereafter, in March 2016 IDBD reached understandings with its lending corporations with regard to an amendment of the control covenant and additional amendments relating to restrictions on the sale of main holdings.

As per IDBD's position, as of June 30, 2016, there were no conditions that established grounds for calling IDBD's obligations to its financial creditors for immediate payment. Without derogating from the IDBD's position, it is noted that the decision of the bondholders (Series I) dated April 21, 2016, to call the full balance of IDBD's debt due to bondholders for immediate repayment and the decision to take steps for dissolution are liable to raise grounds for the financial creditors. According to an opinion that IDBD received, the conditions required for it to call the bonds were not fulfilled. On July 18, 2016, the Court handed down its judgment and accepted the consensus motion filed by the trustee to dismiss the claim.

As of June 30, 2016, IDBD's loans which are subject to the aforementioned financial covenants, were classified under current liabilities, in consideration of the fact that IDBD has reached agreement with its principal lenders to extend the arrangements as specified in the financial covenants of the loan agreements until March 31, 2017 for a period shorter than twelve months.

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

Likewise, on August 4, 2016, DIC reopened its Series of Debentures due 2025 an additional amount of NIS 360 million. The placement was made at an IRR of 5.70%.

Pursuant to the decision of the Supreme Court sitting as the High Court of Justice in connection with the petition that the company submitted in connection with the pledge of the shares of Clal Holdings in September 2016, on October 13, 2016, the Board of Directors of IDBD decided to execute a partial early redemption of the debentures of the company, that is to be carried out on November 1, 2016, as follows:

• The company will carry out a partial early redemption of the debentures in an amount of approximately NIS 239 million of par value ("the redeemed portion") and in a total of approximately NIS 244 million with respect to principal, interest and compensation for the redeemed portion.

• The determining date for the eligibility to receive the early redemption of the principal of the debentures is 25.10.2016.

• The early redemption represents 73.7% of the unpaid balance of the principal of the debentures, which is also the original balance of the series of the debentures.

• The rate of interest (including the compensation for carrying out the early redemption as an increment of 3% with respect to the period from August 3, 2016 through October 21 2016) that will be paid upon the partial early redemption of the redeemed portion of the principal is approximately 1.8%.

• The rate of interest (including the compensation for carrying out the early redemption as an increment of 3% with respect to the period from August 3, 2016 through October 31 2016) that will be paid in the context of the early redemption, which is calculated out of the balance of the unpaid balance of the principal on the date of the early redemption (NIS 325 million linked to the CPI) is approximately 1.3%.

• Pursuant to the "known" CPI (index with respect to the month of September 2016, which was published on 14.10.2016) as compared with the base index published with respect to the month of June 2016, no linkage increments will apply with respect to the redeemed portion upon early redemption.

• The unpaid balance of the principal of the debentures after executing the early redemption (without linkage) will stand at an amount of approximately NIS 86 million par value, which represents approximately 26.3%, of the original balance of the principal of the debentures. The company will act to pledge the shares of Clal Holdings against the balance of the unpaid principal of the debentures (after carrying out the early redemption). As is required according to the trust indenture.

• Pursuant to what is stated in the trust indenture, the redeemed portion will be paid in relation to all of the holders of the debentures, pro- rata according to the par value of the held debentures.

IDBD is continuing to act in order to reach consents with the relevant financing corporations in order to arrange over time the calculated financial covenants that were determined in the provisions of its loan agreements, and additional contractual issues that exist in the loan agreements.

Off balance sheet arrangements

We currently have no agreement that is not included in the balance sheet or significant transactions with non-consolidated entities that are not reflected in our Audited Consolidated Financial Statements. All of our interests and/or relationships with our subsidiaries or controlled entities on a joint basis are recorded in our Audited Consolidated Financial Statements.

C. RESEARCH AND DEVELOPMENTS, PATENTS AND LICENSES

Investments in technology, in our agricultural business, amounted to Ps. 10, Ps. 10 and Ps. 9 million for fiscal years 2016, 2015 and 2014 respectively. Our total technology investments aimed to increase the productivity of purchased land have amounted to Ps.455 million since fiscal year 1995.

We reach our objectives within this area through the implementation of domestic and international technological development projects focusing mainly on:

- Quality and productivity improvement.
- Increase in appreciation value of land through the development of marginal areas.
- Increase in the quality of food in order to achieve global food safety standards. We aim to implement and perform according to official and private quality protocols that allow us to comply with the requirements of our present and future clients. Regarding official regulations, in 2003 we implemented the Servicio Nacional de Sanidad y Calidad Agroalimentaria law on animal identification for livestock in six farms. Simultaneously, in 2004 we implemented Global GAP Protocols (formerly EurepGap) with the objective of complying with European Union food safety standards and as a mean for continuous improvement of the internal management and system production of our farms. Our challenge is to achieve global quality standards.
- Certification of suitable quality standards, since in recent years worldwide agriculture has evolved towards more efficient and sustainable schemes in terms of environmental and financial standpoints, where the innocuousness and quality of the production systems is becoming increasingly important. In this context, Good Agricultural Practices (GAP) have emerged, as a set of practices seeking to ensure the innocuousness of agricultural products, the protection of the environment, the workers' safety and well-being, and agricultural health, with a view to improving conventional production methods. Certification of such standards allows to demonstrate the application of Good Agricultural Practices to production systems and ensures product traceability, allowing to impose stricter controls to verify the enforcement of the applicable laws.
- The implementation of a system of control and assessment of agricultural tasks for analyzing and improving efficiency in the use of agricultural machinery hired. For each of the tasks, a minimum standard to be fulfilled by contractors was set, which has led to do an improvement in the plant stand upon sowing, a better use of supplies and lower harvesting losses.

We have several trademarks registered with the Instituto Nacional de la Propiedad Industrial, the Argentine institute for industrial property. We do not own any patents nor benefit from licenses from third parties.

A substantial part of Cellcom's operations are subject to the Communications Law, regulations enacted by the Ministry of Communications, and the provisions of the licenses granted to Cellcom by the Minister of Communications. Cellcom's activies which include providing cellular service, landline, international telephone services and internet access, and infrastructure services are subject to licensing. For more information, please see "Legal framework – Operations Center in Israel"

D. TREND INFORMATION

International Macroeconomic Outlook

As reported in the IMF's "World Economic Outlook", global GDP expanded by 3.1% in 2015, slightly below the projections mainly as a result of a strong decline in activity during the last quarter in the year. World growth is expected to reach 3.2% in 2016 and 3.5% in 2017. In 2016 and 2017, growth in developed economies is expected to remain steady at about 2%, driven by the growth in the United States of 2.5%, and in the Euro area, of 1.5%.

As of April 2016, emerging and developing economies have recorded growth rates of 4%, also slightly below the projections. They are expected to grow 4.1% and 4.7% by the end of 2016 and 2017. Emerging economies continue facing challenges as regards the inflow of foreign capital. Countries which are more flexible in terms of foreign exchange responded better to the global flow of capital than in previous decelerations.

During 2014 and 2015, the commodities markets suffered a strong decline. Mainly, oil exhibited a sustained negative trend until reaching a historical low in February 2016. During 2016, the commodities markets exhibited a strong recovery with a 31.6% rise in oil prices. Soybean reversed the decline it had suffered in 2014 and 2015 and rose 33.6%.

IMF's forecasts indicate that inflation in the economies of emerging and developing markets will decrease from 4.7% in 2015 to 4.5% in 2016, due to the decline in the prices of raw materials and the effects of last year's currency depreciations evening out.

Average inflation in advanced economies will remain below the goals set by central banks, mostly as a result of the lower price of oil. As of April 2016, the general level of inflation in advanced economies averaged 0.3%, the lowest since the global financial crisis.

Argentine macroeconomic context

On October, 2016, IMF published its growth projection for 2016 for 1.8% decline of the GDP. This correction was due to the change in policies implemented by the new government administration aimed at balancing certain macroeconomic distortions. Growth is expected to strengthen to 2.7 percent in 2017 on the back of moderating inflation and more supportive monetary and fiscal policy stances.

Shopping center and supermarket sales reached a total Ps. 4,374 million in April 2016, which represents a 41.4% increase as compared to the same period last year. Accumulated sales for the first four months of the year totaled Ps. 14,586 million, representing a 29.2% increase as compared to the same period last year.

The INDEC reports that, as of April 2016, industrial activity in Argentina decreased by 6.7% as compared to the same month in 2015. Manufacturing production accumulated a 2.4% decline during the first four months of the year as compared to the same period last year.

Regarding the balance of payments, in the first quarter of 2016 the current account deficit reached US$ 4,013 million, with US$ 1,403 million allocated to the goods and services trade balance, and US$ 2,572 million to the income account, which represents 72% of the foreign direct investment return.

During the first quarter of 2016, the financial account showed a surplus of US$ 8,510 million resulting from net income from the non-financial public sector and the Argentine Central Bank ("BCRA") for US$ 6,233 million, from the non-financial private sector for US$ 1,701 million, and from the financial sector for US$ 576 million. The stock of international Reserves fell by US$ 5,844 million in 2015. During the first half of 2016, reserves grew by US$ 4,944 million. At July, reserves stood at US$ 25,512 million.

Total gross external debt increased by US$ 10,605 million during the first quarter of 2016 and stood at US$ 163,236 million at March 2016. The non-financial public sector and Argentine Central Bank debt was estimated at US$ 92,469 million, having increased by US$ 8,593 million during the first quarter of 2016. The Argentine Central Bank's government security and bond outstanding balance increased by US$ 3,431 million during the first quarter of 2016. At the end of this quarter, the balance was US$ 43,794 million. The non-financial private debt grew US$ 2,261 million during the first quarter of 2016. At March 2016, such debt stood at US$ 67,621 million. The financial sector debt excluding the Argentine Central Bank decreased by US$ 250 million during the first quarter of 2016, reaching a total of US$ 3,145 million.

In connection with the fiscal sector, revenues recorded a year-on-year increase of 38.9% as of March 2016, whereas primary expenditure grew by 38.7% during the same period. In local financial markets, the Private Badlar rate in Pesos ranged from 20% to 30% in the period from July 2015 to June 2016, averaging 28% in June 2016 against 20% in June 2015. The Argentine Central Bank discontinued its controlled floating exchange rate policy in December 2015; consequently, the Peso sustained a 63% nominal depreciation in the period from July 2015 to June 2016. At June 2016, the exchange rate stands at Ps.14.50 pesos per US$1.00. In June 2016, Argentina's country risk decreased by 97 basis points in year-on-year terms, maintaining a high spread vis-à-vis the rest of the countries in the region. The debt premium paid by Argentina was at 518 basis points in June 2016, compared to the 352 basis points paid by Brazil and 213 basis points paid by Mexico.

Agriculture and Cattle Raising Sector in Argentina

Agriculture

Argentina has positioned itself over the years as one of the world's leading food producers and exporters. It is the second largest country in South America after Brazil and has particularly favorable natural conditions for diversified agricultural production: vast extensions of fertile land and varied soil and weather patterns.

During the decade of the nineties, the Argentine agriculture and cattle raising industry experienced sweeping changes, such as a significant increase in production and yield (thanks to a sustained agricultural modernization process), relocation of production (crops vs. livestock) and a significant restructuring process within the industry, as well as increased land concentration. Taking advantage of a favorable international context, the agriculture and cattle raising sector has been one of the major drivers of the Argentine recovery after the economic and financial crisis of 2002.

During the 2015/2016 crop season, soybean production was over 56 million tons, a decrease of 7% as compared to the previous season.

Corn production reached 28 million tons, 2.5% lower than in the previous year.

Wheat production reached 11.3 million tons, 19% lower than in the previous year.

The policies implemented by the new government have led to better projections for the agricultural industry. Mainly, the strong devaluation of the peso and tax reductions on exports have improved the situation of agricultural growers. Withholding taxes on corn and wheat have been fully eliminated, whereas withholding taxes on soybean have been lowered by 5% (to 30% down from 35%). As a result of these measures, the production of soybean, corn and wheat, are expected to increase to 57, 36.5 and 14.4 million tons respectively.

Cattle

As reported by SENASA, with an aggregate stock of 52,636,778 heads as of March 31, 2016, the Cattle stock has increased by 2.3% as compared to the same period of the previous year. For the third year in a row, the Cattle stock surpassed 51 million heads.

As reported by the Argentine Chamber of Beef Commerce and Industry (Cámara de la Industria y Comercio de Carnes y Derivados de la República Argentina, "Ciccra"), consumption of cattle beef per capita was 55.9 kilograms per year on average for the first quarter of 2016, accounting for a year-on-year fall of 5.9%. This decrease in consumption reflects the fact that the consumers' salaries were restated in 2015, whereas prices have risen after the devaluation of the Argentine peso in December 2015. However, the effects of the devaluation of the Argentine peso, along with the reduction in export taxes, generate a promising scenario for Cattle exports.

Milk Sector

The United States Department of Agriculture projects that milk production in Argentina for 2015 will be 11.6 million tons, higher than in the previous year. However, milk production for 2016 faces a tough scenario, as the elimination of withholding taxes on corn adversely affected the input/product ratio as concerns milk. Moreover, international prices remain depressed.

The challenge faced by the international context, coupled with unfavorable weather conditions in the sector would imply that the most efficient producers will remain in business, causing production per cow to increase.

Evolution of Shopping Centers in Argentina

Private consumption continues to be a significant component of economic activity, although in the past months there has been a slight deceleration in its growth rate. At June 2016, the Consumer Confidence Index (CCI) had shown a 22.2% decline as compared to June 2015, as well as a 1.9% increase as compared to June 2014. Sales in shopping centers in April 2016 reached a total amount of Ps. 4,374 million, which represented a 41.4% increase compared to the same month in 2015. Accumulated sales for the first four months of the year totaled Ps. 14,586 million and reached a 29.2% variation compared to the same period the previous year.

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According to Colliers International, as of June 2016, the A+ and A office inventory remained stable since the fourth quarter of 2015 at 1,655,954 sqm. In terms of rental availability, there was a 1% decrease in the vacancy rate to 6.4% during the second quarter of 2016 compared to the same period the previous year. Thus, the vacancy rate has remained at a stable range between 6% and 8% since 2010. These values indicate that the market is healthy in terms of its operations, allowing an optimum level of supply with balanced values. According to the market segments, class A properties show a vacancy rate of 7% for the entire stock, while A+ properties buildings show a vacancy rate of 5%.

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

During the second quarter of 2016, rental prices remained steady as compared to the general average prices seen over the past ten years (US$ 24.8 per square meter). Compared to the previous quarter, a 2.5% increase was recorded (from US$ 24.1 per square meter to US$ 24.7 per square meter). This slight increase shows a 1.4% increase in rental prices for A+ properties (US$ 27.2 per square meter in the second quarter against US$ 26.8 per square meter in the first quarter) and a 2.4% increase in rental prices for A properties (US$ 23.4 per square meter in the second quarter against US$ 22.9 per square meter in the first quarter). The spread between both categories is US$ 3.8 and reached US$ 12 in low vacancy periods.

In turn, the sub-market Catalinas is currently the one with the best prices in the market. The average value of the properties in such area amounts to US$ 27.9 per square meter. This value is expected to increase over the next few months due to the addition of new towers with prices already over US$ 35 per square meter in the inventory.

At June 2016, the sub-market Zona Norte GBA shows average rental prices of US$ 23.3, almost at the same values of June 2015. Moreover, during the same month, the vacancy rate was 8.9%, compared to 9.5% in June 2015.

Israeli macroeconomic context

According to the OECD, for the year ended at December 31, 2015, Israel’s growth reached 2.5%. Israel’s economic growth is projected to remain at 2.5% in 2016, before rising to 3% in 2017.

Since March 2015, the Bank of Israel has kept interest rates at 0.10% and has continued with its policy to intervene in the currency market to support economic policies. For both July and August 2016, the Monetary Committee also decided to leave the interest rate at the same level. Similar to the announcements of the interest rate decisions for November and December of 2015, all announcements in the first half of 2016 included guidance that monetary policy is expected to remain accommodative for a considerable time.

Since March 2015, the Bank of Israel has pursued a policy to intervene in the currency market. It continued to purchase foreign currency, purchasing US$4 billion, about US$0.9 billion of which were purchased as part of the program intended to offset the effects of natural gas production on the exchange rate. The rest were purchased as part of a program designed to moderate excessive fluctuations in the exchange rate.

During the twelve months ending June 30, 2016, the CPI in Israel declined by 0.8%. The energy component continued to contribute to the decline of the CPI, as a result of the sharp decline in global oil prices, even though this trend reversed itself during the first half of the year.

During the first half of 2016, the shekel remained stable in terms of the nominal effective exchange rate (the average in June relative to the average in December), and relative to the U.S. dollar. Relative to the euro, the shekel appreciated by about 3%. Various models of the equilibrium exchange rate indicate that the shekel may be overvalued.

Activity in the housing market remained roburst during the reviewed period: Home prices continued to increase, and the volumes of transactions and of new mortgages originated remain high. At the beginning of the first half of 2016, the Research Department presented a forecast in which it projected that inflation would return to within the target range at the beginning of 2017, and that the Bank of Israel interest rate would increase gradually starting in the last quarter of 2016.

In regards to the seasonality, in Israel retail segment business results are subject to seasonal fluctuations as a result of the consumption behavior of the population proximate to the Pesach holidays (March and/or April) and Rosh Hashanah and Sukkoth holidays (September and/or October). This also affects the balance sheet values of inventory, customers and suppliers. Our revenues from cellular services are usually affected by seasonality with the third quarter of the year characterized by higher roaming revenues due to increased incoming and outgoing tourism.

In 2016, the Passover holiday fell at the end of April, compared to 2015 when it was at the beginning of April. The timing of the holiday affects Shufersal's sales and special offers in the second quarter of 2016, compared to last year. The Passover holiday in the second quarter of 2016 had a greater effect on Shufersal's results than in the corresponding quarter in 2015, therefore analysis of the results for the first half of the year compared to the corresponding period in 2015 better represents the changes between the periods.

E. OFF-BALANCE SHEET ARRANGEMENTS

Agricultural Business

In the ordinary course of business, FyO guarantees certain brokerage transactions. Under the agreement, FyO guarantees the performance of the producer in case it does not comply with the physical delivery. We have recourse against the non-performing party. As of June 30, 2016, the value of transacted merchandise for which guarantees were granted amounted to Ps. 102.7 million. As of the date of this annual report, there were non-performing parties under the agreements for which we had to respond as guarantor. As of the date of this annual report, the value of transacted merchandise for which guarantees were granted amounted to Ps. 65.8 million.

Urban Properties and Investment Business

As of June 30, 2016, IRSA did not have any off-balance sheet transactions, arrangements or obligations with unconsolidated entities or others that are reasonably likely to have a material effect on our financial condition, results of operations or liquidity.

F. TABULAR DISCLOSURE OF CONTRACTUAL OBLIGATIONS

The followings tables show our contractual obligations, as of June 30, 2016.

Where the interest payable is not fixed, the amount disclosed has been determined by reference to the existing conditions at the reporting date.

Payments due by period
(in millions of Pesos)

As of June 30, 2016	Less than 1 year	Between 1 and 2 years	Between 2 and 3 years	Between 3 and 4 years	More t
Trade and other payables	14,287	438	562	54	
Borrowings (Excluding finance lease liabilities)	25,260	21,093	31,601	10,176	
Finance lease obligations	2,265	2,093	1,809	1,487	3,398
Derivative financial instruments	1128	178	15	-	
Purchase Obligations	105	47	58	-	
Total	43,045	23,849	34,045	11,717	

G. SAFE HARBOR

See the discussion at the beginning of this Item 5 and “Disclosure regarding forward looking statements” in the introduction of this annual report, for forward-looking statement safe harbor provisions.

For information about Production and Sales, please see Item 5.A. “Consolidated Operating Results”.

Item 6. Directors, Senior Management and Employees

A. DIRECTORS AND SENIOR MANAGEMENT

Board of Directors

We are managed by a board of directors, which consists of ten directors and three alternate directors. Each director and alternate director is elected by our shareholders at an annual ordinary meeting of shareholders for a three-year term, provided, however, that only one third of the board of directors is elected each year. The directors and alternate directors may be re-elected to serve on the board unlimited number of times. There are no arrangements or understandings pursuant to which any director or person from senior managements is selected.

Our current board of directors was elected at the shareholders' meetings held on October 31, 2013, November 14, 2014 and October 30, 2015, for terms expiring in the years 2016, 2017 and 2018, respectively.

Our current directors are as follows:

Directors(1)	Date of Birth	Position in Cresud	Term Expires(2)	Date of Current Appointment	Current Position Held Since
Eduardo Sergio Elsztain	01/26/1960	Chairman	06/30/17	11/14/14	1994
Saúl Zang	12/30/1945	First Vice-Chairman	06/30/17	11/14/14	1994
Alejandro Gustavo Elsztain	03/31/1966	Second Vice-Chairman and CEO	06/30/16(3)	10/31/13	1994
Gabriel A.G. Reznik	11/18/1958	Regular Director	06/30/18	10/30/15	2003
Jorge Oscar Fernández	01/08/1939	Regular Director	06/30/18	10/30/15	2003
Fernando Adrián Elsztain	01/04/1961	Regular Director	06/30/16(3)	10/31/13	2004
Pedro Damaso Labaqui Palacio	02/22/1943	Regular Director	06/30/18	10/30/15	2006
Daniel E. Mellicovsky	01/17/1948	Regular Director	06/30/17	11/14/14	2008
Alejandro Gustavo Casaretto	10/15/1952	Regular Director	06/30/17	11/14/14	2008
Gastón Armando Lernoud	06/04/1968	Alternate Director	06/30/17	11/14/14	1999
Enrique Antonini	03/16/1950	Alternate Director	06/30/16(3)	10/31/13	2007
Eduardo Kalpakian	03/03/1964	Alternate Director	06/30/16(3)	10/31/13	2007

(1)
The business address of our management is Moreno 877, 23rd Floor, (C1091AAQ) Buenos Aires, Argentina.
(2)
Term expires at the annual ordinary shareholders' meeting.
(3)
These position will be considerated in the annual ordinary shareholders´meeting that will take place October 28, 2016.

Gabriel A. G. Reznik, Jorge Oscar Fernandez, Pedro Dámaso Labaqui Palacio, Daniel Elias Mellicovsky, Enrique Antonini and Eduardo Kalpakian, qualify as independent, in accordance with the CNV's 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 Chairman of the Board of Directors of IRSA Inversiones y Representaciones S.A., IRSA Commercial Properties, Cresud, BrasilAgro, Austral Gold Ltd. and Banco Hipotecario SA, among others. He is also Chairman of IDBD Development Corporation Ltd, Discount Investment Corporation. Mr. Elsztain is also member of the World Economic Forum, the Council of the Americas, the Group of 50 and Argentina's Business Association (AEA). He is President of Fundacion IRSA, which promotes education among children and young people; President of TAGLIT - Birthright Argentina; Co-Founder of Endeavor Argentina; and Vice-President of the World Jewish Congress. He is Fernando Adrián Elsztain's cousin and Alejandro Gustavo Elsztain and Daniel Ricardo Elsztain's brother.

Saúl Zang. Mr. Zang obtained a law degree from University of Buenos Aires (Universidad de Buenos Aires). He is a member of the International Bar Association and the Interamerican Federation of Lawyers. He is a founding member of Zang, Bergel & Viñes law firm. He is chairman of Puerto Retiro S.A., first vice-chairman of IRSA Inversiones y Representaciones Sociedad Anónima and vice-chairman of IRSA Propiedades Comerciales S.A., Tarshop S.A., and Fibesa S.A., among other companies. He is also director of Banco Hipotecario S.A., Nuevas Fronteras S.A., Brasilagro Companhia Brasileira de Propiedades Agricolas, IDBD Development Corporation Ltd, BACS Banco de Crédito & Securitización S.A., Tarshop 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 (Universidad de Buenos Aires). Currently he is chairman of Fibesa S.A. and Cactus Argentina S.A., and second vice-chairman of IRSA Inversiones y Representaciones Sociedad Anónima. He is also vice-chairman of Nuevas Fronteras S.A., and Hoteles Argentinos S.A. He is also director of Brasilagro Companhia Brasileira de Propiedades Agricolas and Emprendimientos Recoleta S.A., among other companies. Mr. Alejandro Gustavo Elsztain is brother of our Chairman Mr. Eduardo S. Elsztain and Daniel Ricardo Elsztain, and cousin of Fernando Adrián Elsztain.

Gabriel A. G. Reznik. Mr. Reznik obtained a degree in Civil Engineering from University of Buenos Aires (Universidad de Buenos Aires). He worked for IRSA Inversiones y Representaciones Sociedad Anónima since 1992 until May 2005 at which time he resigned. He had formerly worked for an independent construction company in Argentina. He is director of Emprendimientos Recoleta S.A., and Puerto Retiro S.A., as well as member of the board of Banco Hipotecario S.A., among other companies.

Jorge Oscar Fernández. Mr. Fernández obtained a degree in Economic Sciences from University of Buenos Aires (Universidad de Buenos Aires). He has performed professional activities at several banks, financial corporations, insurance firms and other companies related to financial services. He is also involved in many industrial and commercial institutions and associations.

Fernando Adrián Elsztain. Mr. Elsztain studied architecture at University of Buenos Aires (Universidad de Buenos Aires). He has been engaged in the real estate business as a consultant and as managing officer of a real estate company. He is chairman of the board of directors of Llao Llao Resorts S.A., Palermo Invest S.A. and Nuevas Fronteras S.A. He is also a director of IRSA Inversiones y Representaciones Sociedad Anónima, IRSA Propiedades Comerciales S.A., and Hoteles Argentinos S.A. He is also alternate director of Puerto Retiro S.A. and Banco Hipotecario S.A., among other companies. He is cousin of our CEO, Alejandro Elsztain, and of our Chairman, Mr. Eduardo S. Elsztain.

Pedro Damaso Labaqui Palacio. Mr. Labaqui obtained a law degree from University of Buenos Aires (Universidad de Buenos Aires). He is also director of Bapro Medios de Pago S.A., Permanent Syndic of Bayfe S.A. Fondos Comunes de Inversión, director and member of the Supervisory Committee of J. Minetti S.A.; and Director of REM Sociedad de Bolsa S.A.

Daniel E. Mellicovsky. Mr. Mellicovsky obtained a degree in accounting from the University of Buenos Aires (Universidad de Buenos Aires). He has served as director of several companies of the agricultural, food supplies, financial and hotel development sectors.

Alejandro Gustavo Casaretto Mr. Casaretto obtained a degree in agricultural engineering from University of Buenos Aires (Universidad de Buenos Aires). He has served as our technical manager, farm manager, and technical coordinator since 1975.

Gastón Armando Lernoud. Mr. Lernoud obtained a law degree from El Salvador University (Universidad de El Salvador) in 1992. He obtained a Masters degree in Corporate Law in 1996 from Palermo University (Universidad de Palermo). He was a senior associate member of Zang, Bergel & Viñes law firm until June 2002, when he joined our Company's lawyers team.

Enrique Antonini. Mr. Antonini holds a degree in law from the University of Buenos Aires (Universidad de Buenos Aires). He is currently a member of the board of directors of Banco Mariva S.A. (since 1992), and Mariva Bursátil S.A. (since 1997). He has also served as director of IRSA Inversiones y Representaciones Sociedad Anónima from 1993 to 2002, and at present he is alternate director of IRSA Inversiones y Representaciones Sociedad Anónima. He is member of the Banking Lawyers Committee and the International Bar Association.

Eduardo Kalpakian. Mr. Kalpakian holds a degree in business from the University of Belgrano (Universidad de Belgrano). He has also an MBA from the CEMA University of Argentina. He has been director for 25 years of Kalpakian Hnos. S.A.C.I., a leading carpet manufacturer and flooring distributor in Argentina. Currently is vice-chairman of such company's board and CEO. He is also vice-chairman of the board of La Dormida S.A.A.C.E I.

Employment contracts with our directors and certain senior managers

We do not have written contracts with our directors. However, Messrs. Eduardo S. Elsztain, Saúl Zang, Alejandro G. Elsztain, Fernando A. Elsztain, Alejandro G. Casaretto and Gastón Armando Lernoud are employed by us under the Labor Contract Law No. 20,744.

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.

Senior Management

Senior management performs its duties in accordance with the instructions of our board of directors. There are no arrangements by which a person is selected as a member of our senior management.

The following table shows information about our current senior management of the Operations Center in Argentina (designated by the board of directors meeting):

Name	Date of Birth	Position	Current Position Held Since
Alejandro G. Elsztain	03/31/1966	CEO	1994
Carlos Blousson	09/21/1963	General Manager for Argentina and Bolivia Operations	2008
Matías I. Gaivironsky	02/23/1976	Chief Financial and Administrative Officer	2011
Alejandro Casaretto	10/15/1952	Chief Regional Agricultural Officer	2008

The following is a biographical 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 IRSA, IRSA CP and the Company, and he has served as Chief Financial Officer since December 2011. In early 2016, he was also designated to add the funtions of Administrative Officer. In 2008 he served as Chief Financial Officer in Tarshop S.A. and was later appointed Manager of the Capital Markets and Investor Relations Division of IRSA, IRSA CP and the Company.

Carlos Blousson. Mr. Blousson obtained a degree in agricultural engineering from University of Burnos Aires (Universidad de Buenos Aires). He has been working as our Chief Sales Officer since 1996. Prior to joining us, he worked as a futures and options operator at Vanexva Bursátil –Sociedad de Bolsa. Previously, he worked as a farmland manager and a technical advisor at Leucon S.A.

The following table shows information about our current senior management of the Operations Center in Israel:

Name	Date of birth	Position	Current position held since
Sholem Lapidot	10/22/1979	Chief Executive Officer	2016
Gil Kotler	04/10/1966	Chief Financial Officer	2016
Aaron Kaufman	03/03/1970	VP & General Counsel	2015

Sholem Lapidot. Mr. Lapidot has studied Rabbinical Studies and Jewish Philosophy in Argentina, Canada and Israel. He serves as Director in Discount Investment Corp. He has been the chief executive officer of IDB Development since January 2016.

Gil Kotler. Mr. Kotler obtained a bachelors' degree in economics and accounting from Tel Aviv University in Israel in 1993. As well as a GMP at Harvard Business School in 2011. He has been the chief financial officer of IDB Development since April 2016.

Aaron Kaufman. Mr. Kaufman obtained a law degree in Tel Aviv University in 1996. He has been partner in Epstein Law Firm until November 2015, when he joined IDBD as a VP and General Counsel.

Executive Committee

Pursuant to our by-laws, our day-to-day business is managed by an executive committee consisting of a minimum of four and a maximum of seven directors and one alternate member, 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 S. Elsztain, Saúl Zang, Alejandro Elsztain and Fernando A. Elsztain.

The executive committee is responsible for the management of the day-to-day business pursuant to authority delegated by our board of directors in accordance with applicable law and our by-laws. Our by-laws authorize the executive committee to:

- designate the managers and establish the duties and compensation of such managers;
- grant and revoke powers of attorney to attorneys-at-law on behalf of us;
- 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.

Supervisory Committee

Our Supervisory Committee is responsible for reviewing and supervising our administration and affairs, and verifying compliance with the bylaws and the decisions adopted at shareholders' meetings pursuant to the provision of the General Companies Law. The members of the Supervisory Committee are appointed at the annual general ordinary shareholders' meeting for a term of one year. The Supervisory Committee is composed of three members and three alternate members.

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

Member	Date of Birth	Position
José Daniel Abelovich	07/20/1956	Member
Marcelo Héctor Fuxman	11/30/1955	Member
Noemí Ivonne Cohn	05/20/1959	Member
Roberto Daniel Murmis	04/07/1959	Alternate Member
Alicia Graciela Rigueira	12/02/1951	Alternate member
Sergio Leonardo Kolaczyk	11/28/1964	Alternate member

All members of the supervisory committee qualify as independent, in accordance with CNV Resolution No. 400/2002 Rules.

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

José Daniel Abelovich. Mr. Abelovich obtained a degree in accounting from the University of Buenos Aires (Universidad de Buenos Aires). He is a founding member and partner of Abelovich, Polano & Asociados S.R.L. / firm member of Nexia International, a public accounting firm in Argentina. Formerly, he had been a manager of Harteneck, López y Cía/Coopers & Lybrand and has served as a senior advisor in Argentina for the United Nations and the World

Bank. He is a member of the Supervisory Committees of IRSA Inversiones y Representaciones Sociedad Anónima, IRSA Propiedades Comerciales S.A,, Hoteles Argentinos S.A., Inversora Bolívar, and Banco Hipotecario S.A, among other companies.

Marcelo Héctor Fuxman. Mr. Fuxman obtained a degree in accounting from the University of Buenos Aires (Universidad de Buenos Aires). He is a partner of Abelovich, Polano & Asociados S.R.L. / firm member of Nexia International, a public accounting firm in Argentina. He is also a member of the Supervisory Committees of IRSA Inversiones y Representaciones Sociedad Anónima, IRSA Propiedades Comerciales S.A, Hoteles Argentinos S.A., Inversora Bolívar, and Banco Hipotecario S.A, among other companies.

Noemí Ivonne Cohn. Mrs. Cohn obtained a degree in accounting from the University of Buenos Aires (Universidad de Buenos Aires). Mrs. Cohn is a partner at Abelovich, Polano & Asociados S.R.L. / firm member of Nexia International a public accounting firm in Argentina, and works in the audit area. Mrs. Cohn worked in the audit area in Harteneck, Lopez and Company, Coopers & Lybrand in Argentina and in Los Angeles, California. Mrs. Cohn is member of the Supervisory Committees of IRSA Inversiones y Representaciones Sociedad Anónima and the Company, among other companies.

Roberto Daniel Murmis. Mr. Murmis holds a degree in accounting from the University of Buenos Aires (Universidad de Buenos Aires). Mr. Murmis is a partner at Abelovich, Polano & Asociados S.R.L / firm member of Nexia International. Mr. Murmis worked as an advisor to the Public Revenue Secretariat, Argentine Ministry of Economy. Furthermore, he is a member of the Supervisory Committee of IRSA Inversiones y Representaciones Sociedad Anónima,, Futuros y Opciones S.A., and Llao Llao Resorts S.A, among other companies.

Alicia Graciela Rigueira. Mrs. Rigueira holds a degree in accounting from the University of Buenos Aires (Universidad de Buenos Aires). Since 1998 she has been a manager at Estudio Abelovich, Polano & Asociados / firm member of Nexia International. From 1974 to 1998, Mrs. Rigueira performed several functions in Harteneck, Lopez y Cia. affiliated with Coopers & Lybrand. Mrs. Rigueira lectured at the School of Economic Sciences of Lomas de Zamora University.

Sergio Leonardo Kolaczyk. Mr. Kolaczyk obtained a degree in accounting from the Universidad de Buenos Aires (Universidad de Buenos Aires). He is a professional of Abelovich, Polano & Asociados S.R.L. / firm member of Nexia International. He is also an alternate member of IRSA Inversiones y Representaciones Sociedad Anónima and IRSA Propiedades Comerciales S.A's Supervisory Committees.

KEY EMPLOYEES

There are no key employees.

B. COMPENSATION

Compensation of directors

Under the Argentine Law, if the compensation of the members of the Board of Directors 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, 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 proportionally to the distribution, in accordance with the formulas and scales set forth under the CNV's Technical Rules. 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 shareholding meeting shall approve compensation in excess of the above metioned limits.

The compensation of our directors for each fiscal year is determined pursuant to Argentine law, and taking into consideration whether the directors performed technical or administrative activities and our fiscal year's results. Once the amount is determined, it is considered at the shareholders' meeting.

At our shareholders' meeting held on October 30, 2015, a compensations for an aggregate amount of Ps.14,310,941 was approved for all of our directors for the fiscal year ended June 30, 2015.

Compensation of Supervisory Committee

Our shareholders' meeting held on October 30, 2015 further approved by majority vote not to pay a compensation to our Supervisory Committee.

Compensation of Senior Management

Our senior management is paid a fixed amount established by taking into consideration their background, capacity and experience and an annual bonus which varies according to their individual performance and our results.

The total and aggregate compensation paid to our senior management of the Operations Center in Argentina and the Agricultural Business for the fiscal year 2015/2016, started in July 2015, was Ps. 4,943,802.

The aggregate compensation paid to our Senior Management of the Operations Center in Israel since we gained control of IDBD on October 11, 2015 and until June 30, 2016, was Ps.11,36 million. For our CEO and CFO total compensation was considered since they were appointed in January 2016.

Compensation of the Audit Committee

The members of our Audit Committee do not receive any additional compensation other than that received for their services as members of our board of directors.

Capitalization Program for our executive staff

During the fiscal year ended June 30, 2007, the Company developed the design of a capitalization program for its executive staff consisting in contributions made by both the employees and the Company.

Such program is intended for certain employees selected by the Company that it wishes to retain by increasing employee total compensation by means of an extraordinary reward in so far as certain requirements are fulfilled.

The payment of contributions into the plan and participation therein are voluntary. Once the intended beneficiary accepts to take part in the plan, he/she may make two types of contributions: a monthly contribution based on his/her salary and an extraordinary contribution, based on his/her annual bonus. It is suggested that contributions should be of up to 2.5% of salaries and of up to 15% of the annual bonus. And then there is the contribution payable by the Company which shall amount to 200% of the monthly contributions and of 300% of the extraordinary contributions made by the employees.

The funds resulting from the contributions made by the participants are transferred to an independent financial vehicle, specially created and situated in Argentina in the form of a mutual fund with the approval of the CNV. These funds can be freely redeemed at the request of participants.

The funds resulting from the contributions made by both companies are transferred to another independent financial vehicle, separate from the one previously mentioned.

In the future, the participants shall have access to 100% of the benefits under the plan (that is, including the contributions made by the Company for the benefit of the employees into the financial vehicle specially created) in any of the following circumstances:

- ordinary retirement as prescribed by labor law
- total or permanent disability, and
- death.

In case of resignation or termination without good cause, the participant may redeem the amounts contributed by us only if he or she has participated in the Plan for at least 5 years and if certain conditions have been fulfilled.

During this fiscal year ended June 30, 2016, the Company has made contributions to the plan for Ps. 3.6 million.

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 was voluntary.

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

.

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

.

retirement.

.

total or permanent disability.

.

death.

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 provided under the plan, the shares of stock corresponding to the 2014 bonus were delivered in April 2015; moreover, an amount equivalent to one salary was delivered in the form of shares of stock to those employees who did not participate in the plan and who had discharged services for a term of two years.

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

Our CEO of the Operations Centers in Isreal, has a stock option remuneration plan which includes 5,310,000 options, that will be given in five series, and which may be exercised for 5,310,000 ordinary shares, par value NIS 1 per share of Discount Investments.

C. BOARD PRACTICES

Benefits upon Termination of Employment

There are no contracts providing for benefits to directors upon termination of employment, other than those described under the following sections: (i) Item 6 "Directors, Senior Management and Employees – B. Compensation – Capitalization Plan and (ii) Item 6 "Directors, Senior Management and Employees – B. Compensation – Mid and Long Term Incentive Program.

Internal Control

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

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

.
Effectiveness and efficiency of operations

.
Reliability of financial reporting

.
Compliance with applicable laws and regulations

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

.
the board of directors, by establishing the objectives, principles and values, setting the tone at the top and making the overall assessment of results;

.
the management of each area is responsible for internal control in relation to objectives and activities of the relevant area, i.e. the implementation of policies and procedures to achieve the results of the area and, therefore, those of the entity as a whole;

.
the other personnel plays a role in exercising control, by generating information used in the control system or taking action to ensure control.

AUDIT COMMITTEE

In accordance with the Capital Markets Law No. 26.831 and the Rules of the CNV, our board of directors has established an audit committee which would focus on assisting the board in exercising its duty of care, compliance with disclosure requirements, the enforcement of accounting policies, the management of our business risks, the management of our internal control systems, ethical conduct of our businesses, monitoring the sufficiency of our financial statements, our compliance with the laws, independence and capacity of independent auditors and performance of audit duties both by our Company and our external auditors. These responsabilities are meant to comply with the duties assigned by Law 26.831, the Technical Rules of the CNV, and other applicable laws.

On November 5, 2015, our board of directors appointed Jorge Oscar Fernández, Pedro Damaso Labaqui Palacio, Daniel Elías Mellicovsky and Gabriel Adolfo Gregorio Reznik, all of them independent members, as members of the audit committee. The board of directors named Jorge Oscar Fernández as the financial expert in accordance with the relevant SEC rules. We have a fully independent audit committee as per the standards provided in Rule 10(A)-3(b)(1).

Remuneration Committee

There is no remuneration committee.

D. EMPLOYEES

Operations Center in Argentina

As of June 30, 2016, we had 2,879 employees.

As of such date, we had 1,117 permanent and 9 temporary employees in our Agricultural Business in Argentina, including our employees, FyO and SACPSA but not those of Agro-Uranga S.A. Approximately 52% are under collective labor agreements. We have good relations with each of our employees.

We employ 161 people in our International Agricultural businesses, composed of 122 employees of Brasilagro and 39 employees in the companies located in Bolivia.

Our Real Estate Business had 1,753 employees. Our Development and Sale of Properties and Other Non-Shopping Center Businesses segment had 31 employees, 4 of whom are represented by the Commerce Labor Union (Sindicato de Empleados de Comercio, or SEC) and 10 by the Horizontal Property Union (SUTERH). The Shopping Center segment had 964 employees including 461 under collective labor agreements. Our Hotels segment had 758 employees with 622 represented by the Tourism, Hotels and Gastronomy Union from the Argentine Republic (Unión de Trabajadores del Turismo, Hoteleros y Gastronómicos de la República Argentina) (UTHGRA).

The following table shows the number of employees in the Company's various businesses as of the dates mentioned below:

	Agricultural Business(1)		Real Estate Business			
	Permanent	Temporary	Development and Sale of Properties and Other Non-Shopping Center Businesses (2)	Shopping Centers	Hotels(3)	Total
June 30, 2011	772	48	82	811	678	2,391
June 30, 2012	848	17	92	833	662	2,452
June 30, 2013	857	11	91	787	662	2,408
June 30, 2014	756	16	89	872	647	2,380
June 30, 2015(4)	1,099	16	34	973	704	2,826
June 30, 2016	1,117	9	31	964	758	2,879

(1)
Agricultural Business includes our employees and employees of FyO and SACPSA, but not those of Agro-Uranga S.A.
(2)
Includes IRSA, Consorcio Libertador S.A., and Consorcio Maipú 1300 S.A.
(3)
Hotels include Intercontinental, Sheraton Libertador and Llao Llao.
(4)
During April and May 2015, the employees who were assigned to IRSA, and used to be in charge of the building's operations and the real estate business, were transferred to IRSA Commercial Properties.

Operations Center in Israel

The following table shows the number of employees as of March 31, 2016 of our Israeli operating center divided by company:

IDBD	29
DIC (1)	31
Shufersal	13,726
Cellcom (2)	3,138
PBC (3)	221
Other(4)	1,042
Total	18,187

(1) Includes Elron's employees.
(2) Does not include temporary or external employees.
(3) Includes 106 hotel and cleaning employees.
(4) Includes IDBG, Bartan and IDB Tourism

E. SHARE OWNERSHIP

Share ownership of directors, members of the supervisory committee, and senior management as of June 30, 2016.

The following table sets forth the amount and percentage (expressed on a fully diluted basis) of our shares beneficially owned by our directors, Supervisory Committee and senior management as of June 30, 2016(2):

Name	Position	Number of Shares	Percentage
Directors			
Eduardo Sergio Elsztain (1)	Chairman	154,993,977	30.90%
Saúl Zang	First vice-chairman	4,012,506	0.80%
Alejandro Gustavo Elsztain	Second vice- chairman / Chief Executive Officer	7,145,810	1.42%
Gabriel A. G. Reznik	Director	-	-
Jorge Oscar Fernández	Director	3,034,219	0.60%
Fernando Adrián Elsztain	Director	-	-
Pedro Damaso Labaqui Palacio	Director	6,000	0.00%
Daniel Elias Mellicovsky	Director	-	-
Alejandro Gustavo Casaretto	Director/Regional manager of Agricultural Real Estate	135,035	0.03%
Gastón Armando Lernoud	Alternate Director	11,091	0.00%
Enrique Antonini	Alternate Director	-	-
Eduardo Kalpakian	Alternate Director	-	-
Senior Management			
Matias Gaivironsky	Chief Financial and Administrative Officer	83,080	0.02%
Carlos Blousson	Chief Executive Officer of the International Operation	9,986	0.00%
Supervisory Committee			
José Daniel Abelovich	Member	-	-
Marcelo Héctor Fuxman	Member	-	-
Noemí Ivonne Cohn	Member	-	-
Roberto Daniel Murmis	Alternate member	-	-
Alicia Graciela Rigueira	Alternate member	-	-
Sergio Leonardo Kolaczyk	Alternate member	-	-
Executive Committee			
Eduardo Sergio Elsztain	Member	154,993,977	30.90%
Saúl Zang	Member	4,012,506	0.80%
Alejandro Gustavo Elsztain	Member	7,145,810	1.42%

(1)
Includes (i) 154,898,780 shares beneficially owned by IFISA, for which Mr. Eduardo S. Elsztain may be deemed beneficial owner, (ii) 880 common shares beneficially owned by Consultores Venture Capital Uruguay S.A. (iii) 752

common shares held by Consultores Asset Management S.A. and (iv) 93,565 common shares owned directly by Mr. Eduardo S. Elsztain.

(2)
David Alberto Perednik resigned his position as alternate director on September 29, 2016. For more information please see "Re
Resignation as alternate director."

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Option Ownership

No options to purchase shares have been granted to our Directors, Senior Managers, members of the Supervisory Committee, or Audit Committee.

Employees' Participation in our Capital Stock

There are no arrangements for involving our employees in our capital stock or related to the issuance of options, shares or securities other than those described under the following sections: (i) Item 6: Directors, Senior Management and Employees – B. Compensation – Capitalization Plan and (ii) Item 6. Directors, Senior Management and Employees – B. Compensation – Mid and Long Term Incentive Program.

Item 7. Major shareholders and related party transactions

A. MAJOR SHAREHOLDERS

Information about Major Shareholders

Share Ownership

The following table sets forth information regarding ownership of our capital stock by each person known to us to own beneficially at least 5% of our common shares, ANSES (The Argentine Social Security National Agency) and all our directors and officers as a group. Percentages are expressed on a fully diluted basis.

	Share Ownership as of June 30, 2016	
Shareholder	Number of Shares	Percentage
IFISA(1)(2)	154,993,977	30.90%
Directors and officers(3)	14,541,717	2.90%
ANSES	17,862,157	3.56%
Total	187,397,851	37.36%

(1)
Eduardo S. Elsztain is the Chairman of the board of directors of IFIS Limited, a corporation organized under the laws of Bermuda and Inversiones Financieras del Sur S.A., a corporation organized under the laws of Uruguay. Mr. Elsztain holds (through companies controlled by him and proxies) a majority of the voting power in IFIS Ltd., which owns 100% of IFISA.
(2)
As a result, Mr. Elsztain may be deemed beneficial owner of 30.90% of our total shares, which includes (i) 154,898,780 shares beneficially owned by Inversiones Financieras del Sur S.A., for which Mr. Eduardo S. Elsztain may be deemed beneficial owner, (ii) 880 common shares beneficially owned by Consultores Venture Capital Uruguay S.A., (iii) 752 common shares held by Consultores Asset Management S.A. and (iv) 93,565 common shares owned directly by Mr. Eduardo S. Elsztain.

(3)
Includes only direct ownership of our Directors and Senior Management, other than Mr. Eduardo S. Elsztain.

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Change in Capital Stock Ownership

	As of June 30,				
	2016	2015	2014	2013	2012
IFISA(1)(2)	30.9%	37.4%	39.3%	39.3%	38.8%
D.E. Shaw & Co L.P. (3)	-	-	0.7%	2.1%	3.2%
Senvest Management LLC	4.7%	5.1%	3.6%	0.7%	0.3%
Directors and officers(4)	2.9%	2.3%	2.4%	2.2%	1.9%
ANSES	3.6%	3.6%	3.4%	3.4%	3.1%

(1)
Mr. Eduardo S. Elsztain is the Chairman of the board of directors of IFIS Limited, a corporation organized under the laws of Bermuda and Inversiones Financieras del Sur S.A., a corporation organized under the laws of Uruguay. Mr. Elsztain holds (through companies controlled by him and proxies) a majority of the voting power in IFIS Ltd., which owns 100% of IFISA.
(2)
As a result, Mr. Eduardo S. Elsztain may be deemed beneficial owner of 30.90% of our total shares, which includes (i) 154,898,780 shares beneficially owned by Inversiones Financieras del Sur S.A., for which Mr. Eduardo S. Elsztain may be deemed beneficial owner, (ii) 880 common shares beneficially owned by Consultores Venture Capital Uruguay S.A., (iii) 752 common shares held by Consultores Asset Management S.A. (iv) 93,565 common shares owned directly by Mr. Eduardo S. Elsztain.
(3)
According to the Form filed with the SEC.
(4)
Includes only direct ownership of our Directors and Senior Management, other than Mr. Eduardo S. Elsztain.

Difference in Voting Rights

Our major shareholders do not have different voting rights.

Arrangements for change in control

There are no arrangements that may at a subsequent date in a change in control.

Securities held in the host country

As of June 30, 2016, our total issued and outstanding capital stock outstanding consisted of 501,642,804 common shares. As of June 30, 2016, there were approximately 41,803,722 Global Depositary Shares (representing 418,037,222 of our common shares, or 83.33% of all of our outstanding shares held) in the United States by approximately 86 registered holders of Global Depositary Shares.

As of June 30, 2016 our directors and senior officers controlled, directly or indirectly, approximately 33.79% of our common shares. As a result, these shareholders have, and will continue to have, significant influence on the election of our directors and the outcome of any action requiring shareholder approval.

B. RELATED PARTY TRANSACTIONS

We enter into transactions with related parties on an arm's-length basis. A related party transaction means any transaction entered into directly or indirectly by us or any of our subsidiaries that is material based on the value of the transaction to (a) any director, officer or member of our management or shareholders; (b) any entity in which any such person described in clause (a) is interested; or (c) any person who is connected or related to any such person described in clause (a).

Agreement for the Exchange of Corporate Services with IRSA and IRSA CP

Considering that each of IRSA, IRSA CP and us have operating areas which are somewhat similar, the Board of Directors deemed it advisable to implement alternatives aimed at reducing certain fixed costs of our combined activities and to lessen their impact on operating results while seizing and optimizing the individual efficiencies of each of them in the different areas comprising the management of operations.

To such end, on June 30, 2004, a Master Agreement for the Exchange of Corporate Services ("Frame Agreement") was entered into between IRSA, IRSA CP and us, which was amended several times to bring it in line with evolving requirements. The agreement has a term of 24 months, is renewable automatically for equal periods, unless it is terminated by any of the parties upon prior notice.

This agreement currently provides for the exchange and sharing of services among the following areas: Human Resources, Finance, Institutional Relations, Administration and Control, Insurance, Security, Agreements, Technical Tasks, Infrastructure and Services, Procurement, Architecture and Design, Development and Works, Real Estate, Hotels, Board of Directors, Board of directors of Real Estate Business, General Manager Office, Board Safety, Audit Committee, Real Estate Business Management, Human Resources of Real Estate Business, Fraud Prevention, Internal Audit and Agricultural Investment Management.

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

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

Offices and Shopping centers spaces leases

Our Chairman's offices are located at Bolívar 108, City of Buenos Aires. We have leased this property from Isaac Elsztain e Hijos S.C.A., a company controlled by certain relatives of Eduardo S. Elsztain, our chairman, and also from Hamonet S.A., a company controlled by Fernando A. Elsztain, one of our Directors, and certain of his relatives.

In addition, we, IRSA, Tarshop, BACS, BHN Sociedad de Inversión S.A., BHN Seguros Generales S.A. and BHN Visa S.A. rent offices owned by IRSA CP in different buildings.

Furthermore, we also let various spaces in our Shopping Centers (stores, stands, storage space or advertising space) to third parties and related parties such us Tarshop S.A. and BHSA.

Lease agreements entered into with associates included similar provisions and amounts to those included in agreements with third parties.

Donations granted to Fundación IRSA and Fundación Museo de los Niños

Fundación IRSA is a non-profit charity institution that seeks to support and generate initiatives concerning education, the promotion of corporate social responsibility and the entrepreneurial spirit of the youth. It carries out corporate volunteering programs and fosters donations by the Company’s employees. The main members of Fundación IRSA's Board of Directors are: Eduardo S. Elsztain (President); Saul Zang (Vice President I), Alejandro Elsztain (Vice President II) and Mariana C. de Elsztain (secretary). It finances its activities with donations from IRSA, IRSA CP, Cresud and others related companies.

On October 31, 1997, IRSA CP entered into an agreement with Fundación IRSA whereby 3,800 square meters of the constructed area at the Abasto shopping center was granted under a gratuitous bailment agreement for a term of 30 years. Subsequently, on October 29, 1999, Fundación IRSA assigned free of cost all the rights of use over such store and its respective obligations to Fundación Museo de los Niños.

On November 29, 2005, IRSA CP signed another agreement with Fundación Museo de los Niños granting under gratuitous bailment 2,670.11 square meters of the constructed area at Alto Rosario shopping center for a term of 30 years.

Fundación Museo de los Niños has used these spaces to set up "Museo de los Niños", Abasto and "Museo de los Niños, Rosario", two interactive learning centers intended for children and adults. Both agreements establish the payment of common expenses and direct expenses related to the services performed by these stores should be borne by Fundación Museo de los Niños.

Legal Services

We hire legal services from Estudio Zang, Bergel & Viñes, in which Saúl Zang is a partner. Mr. Zang is a member of our Board of Directors and that of our related companies. During the fiscal years ended June 30, 2016, 2015 and 2014 we paid Zang, Bergel & Viñes Abogados an aggregate amount of approximately Ps.6 million, Ps.5 million and Ps.4 million, respectively, as payment for legal services.

Purchase of agrochemicals from Adama

Adama is a company specialized in agrochemicals, particularly used in farming, and is a worldwide leader in active ingredients used in agricultural production. CRESUD, in the normal course of its business, acquires agrochemical products and/or hires services from Adama. On July 17, 2016, DIC reported that it had signed an agreement with ChemChina to sell 40% of Adama Agricultural Solutions Ltd.'s shares, indirectly controlled by IDBD through DIC. For more information see "Recent Developments."

Hospitality Services

We and our related parties hire, in certain occasions, hotel services and lease conference rooms for events to Nuevas Fronteras S.A. and Hoteles Argentinos S.A., subsidiaries of IRSA.

Purchase and sale of goods and/or service hiring

In the normal course of its business and with the aim of making resources more efficient, we, or our related parties, including our parent company, in certain occasions purchases and/or hires services which later sells and/or recovers for companies or other related parties, based upon their actual utilization.

Borrowings

In the normal course of its activities, we enter into diverse loan agreements or credit facilities between our subsidiaries and/or other related parties. These borrowings generally accrue interests at market rates.

Financial and service operations

We work with several financial entities in Argentina for operations including, but not limited to, credit, investment, purchase and sale of securities and financial derivatives. Such entities include Banco Hipotecario S.A. and its subsidiaries. Furthermore, Banco Hipotecario S.A. and BACS Banco de Crédito y Securitización S.A. usually act as underwriters in Capital Market transactions.

In addition, we have entered into agreements with BHSA, who provides collection services for our Shopping Centers.

Transactions with IFISA

On February 10, 2015, Dolphin, sold 71,388,470 IDBD shares to IFISA, for an amount of US$ 25.6 million, US$ 4.0 million of which were paid upon execution and the remaining balance of US$ 21.6 million were financed for a term of up to 360 days and priced at Libor 1M (one month) + 3%. On May 9, 2016, the parties agreed to extend the expiration date for 30 days as from execution of the addenda, to be automatically renewable every 30 days for a maximum term of 180 days, and increasing the rate to 9% since February 10, 2016.

On May 31, 2015, IRSA, through Dolphin, sold to IFISA 46 million of warrants Series 4 for a total amount of NIS 0.46 million (equivalent to US$ 0.12 million at the time of the transaction), provided IFISA agreed to exercise them fully when Dolphin were so required by IDBD.

On July 28, 2015, Dolphin granted a loan to IFISA for an amount of US$ 7.2 million, due in July 2016, which accrues interest at Libor 1M (one month) + 3%. On May 9, the parties agreed to extend the expiration date to June 8, 2016, to be automatically renewable every 30 days for a maximum term of 180 days, and increased the rate to 9%.

On October 9, 2015, IRSA granted a loan in the amount of US$ 40 million to IFISA. The term of the loan is one year calculated from the disbursement and will bear interest at a rate of 3% + Libor 1M, to be determined monthly. On October 9, 2016, the parties agreed to extend the expiration date to be automatically renewable every 30 days for a maximum term of 180 days and increase the rate to 9%.

In February 2016, DN B.V., a subsidiary of Dolphin, entered into an option contract with IFISA whereby Dolphin is granted the right, but not the obligation to acquire 92,665,925 shares of IDBD held by IFISA at a share price of NIS 1.64 plus an annual interest of 8.5%. The exercise date for the option extends for two years.

All transactions are carried out at arm’s length.

On June 2014, the Company – through its subsidiary, Real Estate Investment Group IV LP – renewed a credit facility granted by IFISA, a company indirectly controlled by Eduardo Sergio Elsztain, for a total amount of 1.4 million shares of Hersha Hospitality Trust. The transaction was agreed upon for a term of 30 days, which could be renewed for up to 360 days; the facility was priced at Libor (3 months) + 50 bp. This credit facility was cancelled after the end of fiscal year 2014 in order to sell the remaining amount of Hersha.

As of June 30, 2016 we had current a credit line with IFISA of shares and/or GDRs of IRSA for up to 3,500,000 GDRs. The expiration of this line will operate in June 2017 and bears an annual fixed rate of 6%.

On June 18, 2012 we entered a credit facility agreement with IFISA, pursuant to which we agreed to lend to IFISA up to US$ 6.0 million, which will mature on November 24, 2012, then it was extended until November 24, 2015, at an interest rate equivalent to LIBOR (12 months) + 300 bp., date in which was canceled.

Investment in mutual funds of BACS Administradora de Activos S.A. S.G.F.C.I.

We invest from time to time our liquid fund in mutual funds managed by BACS Administradora de Activos S.A. S.G.F.C.I., which is a subsidiary of Banco Hipotecario, among other entities.

Credit line with IRSA Propiedades Comerciales S.A.

On July 5, 2016, IRSA renewed and increased the credit line with IRSA Propiedades Comerciales S.A. for up to US$ 120 million, in which IRSA Propiedades Comerciales S.A. is the lender and IRSA is, directly or indirectly, the borrower. The loan bears annual interest at a rate of 9% and matures on June 24, 2017.

As of the date of this annual report, the total amount due by IRSA to IRSA Commercial Properties amounts to US$45 million.

Farmland Lease Agreement San Bernardo

We lease a farmland located in the Province of Córdoba, from San Bernardo de Córdoba S.A. (formerly known as Isaac Elsztain e Hijos S.C.A.), pursuant to a lease agreement effective as of August 2015. The leased farmland has an extension of 12,600 hectares.

The rent to be paid is the equivalent in Pesos of 3,5kg of beef per hectare. The beef price will be set, taking into account the price per kilo of beef quoted on Mercado de Hacienda de Liniers, the previous week of the payment date. In addition, the parties have agreed in a productivity prize of 15% of the weight that the cattle achieve above 240.000kg. This prize will be payable on September 2016. This lease contemplates the possibility of extension up to two periods per year. Currently being agreed conditions of its extension.

Consulting Agreement

Pursuant to the terms of the Consulting Agreement with Consultores Asset Management effective as of November 7, 1994, Consultores Asset Management provides us advisory services on matters related to capital investments in all aspects of the agricultural business. One of our shareholders and the Chairman of our board of directors is the owner of 85% of the capital stock of Consultores Asset Management and our First Vice Chairman of the board of directors holds the remaining 15% of its capital stock.

Pursuant to the terms of the Consulting Agreement, Consultores Asset Management provides us with the following services:

- advises with respect to the investment of our capital in all aspects of agricultural operations, including, among others, sales, marketing, distribution, financing, investments, technology and business proposals;
- acts on our behalf in such transactions, negotiating the prices, conditions, and other terms of each operation; and

- gives advice regarding securities investments with respect to such operations.

The Consulting Agreement expressly provides that Consultores Asset Management may not advise us with respect to transactions that are entirely related to real estate.

Under the Consulting Agreement, we pay Consultores Asset Management for its services, an annual fee equal to 10% of our annual after-tax net income.

During fiscal year ended June 30, 2016 and 2014 there were not charges for consulting agreement fees. During fiscal year ended June 30, 2015 the charge for consulting agreement fees was of Ps. 11.4 million.

The Consulting Agreement is subject to termination by either party upon not less than 60 days prior written notice. If we terminate the Consulting Agreement without cause, we will be liable to Consultores Asset Management for twice the average of the amounts of the management fee paid to Consultores Asset Management for the two fiscal years prior to such termination.

Sale of Advertising Space in Media

We and our related parties usually execute agreements with third parties by which we sell/acquire, for their future use rights to advertise in media (TV, radio, newspapers, etc.) that are later used in advertising campaigns.

Purchase and sale of goods and/or service hiring

In the normal course of its business and with the aim of making resources more efficient, we, or our related parties, including our parent company, in certain occasions purchases and/or hires services which later sells and/or recovers for companies or other related parties, based upon their actual utilization.

Investment in Dolphin Fund Ltd.

As of the date of this annual report, we have invested approximately US$544 million in Dolphin, through our subsidiaries. Dolphin Fund Ltd, is an investment fund incorporated under the laws of Bermuda, whose investment manager is Consultores Venture Capital Uruguay S.A., a company controlled indirectly by our Chairman, Eduardo S. Elsztain. Dolphin Netherlands is a subsidiary of Dolphin Fund Ltd, incorporated in the Netherlands. Such investments were made in order to carry out the investment in IDB Development Corp. For more information please see Item 4. Information on the Company – A. History and development of the Company – “Investment of IDB Development Corporation Ltd. (IDBD).

Sale of farmland "La Adela"

In July 2014 we sold to our subsidiary IRSA the “La Adela” farm, with an area approximately 1,058 hectares, located in the District of Luján, Province of Buenos Aires, for a total amount of Ps. 210 million. Given its degree of development and closeness to the City of Buenos Aires, this farm has a high urbanistic potential; therefore, the purpose of selling it to IRSA is for it to launch a new real estate development.

Transfer of tax credits

Sociedad Anónima Carnes Pampeanas S.A. (subsidiary of Cresud) and Cresud, assigned credits to IRSA CP and other related parties corresponding to value added tax export refunds related to such companies’ business activity.

C. INTERESTS OF EXPERTS AND COUNSEL

This section is not applicable.

Item 8. Financial Information

A. AUDITED CONSOLIDATED STATEMENTS AND OTHER FINANCIAL INFORMATION

See Item 18 for our Audited Consolidated Financial Statements.

Legal or arbitration proceedings

We are not engaged in any material litigation or arbitration and no material litigation or claim is known to us to be pending or threatened against us, other than those described below.

Litigation with Exagrind S.A.

Cresud filed a lawsuit through Inversiones Ganaderas S.A. (IGSA) (a former subsidiary merged with the Company) on claims for damages and losses produced by a fire in one of the Company's farms, “San Rafael” farm, which is close to Exagrind’s property, Tali Sumaj, in the Province of Catamarca, Argentina. The fire took place on September 6, 2000. Exagrind claimed an amount of Ps. 2.9 million at that date. The extraordinary appeal to the High Court of Justice of the Province of Catamarca, questioning the resolution that ended the term to respond the case, arguing that at that moment, the period was not completed, was favorably received. Therefore, Cresud finally responded the case and showed proofs. As of the consolidated financial statements date, the parties have been notified that the term to submit allegations has started to run. In March 2007, the court ordered an inhibition of assets which was subsequently lifted. This decision was lifted in June 2007 and Tali Sumaj farm on attachment has been accepted in replacement. Exagrind S.A. requested that the measure be extended with an attachment of bank accounts; this ruling has been challenged and to date the accounts have not been attached. In June, 2010, the Company sold the farm to a third party. Since the litigation is still pending, the bond posted in favor of the buyer remains effective as security for the obligations undertaken The Company has recorded a provision amounting to Ps. 1.5 million, which is included within “Labor, legal and other claims”.

In addition, the Company is involved in several legal proceedings, including tax, labor, civil, administrative and other matters for which the Company has not established provisions based on the information assessed to date. In the opinion of management, the ultimate disposition of any threatened or pending matters, either individually or collectively, will not have a material adverse effect on the consolidated financial position, liquidity and results of operations of the Company. For ease of presentation, the Company has categorized these matters between those arising out of our agricultural and agro-industrial activities and those arising out of our investment and development properties business activities.

IRSA's and IRSA Commercial Properties' legal or arbitration proceedings

Operations Center in Argentina

Set forth below is a description of certain material legal proceedings to which IRSA and IRSA Commercial Properties are a party. IRSA and IRSA Commercial Properties are not engaged in any other material litigation or arbitration and no other material litigation or claim is known to IRSA to be pending or threatened against it or its subsidiaries. Nevertheless, IRSA may be involved in other litigation from time to time in the ordinary course of business.

Puerto Retiro

On November 18, 1997, in connection with our acquisition of our subsidiary Inversora Bolívar, we indirectly acquired 35.2% of the capital stock of Puerto Retiro. Inversora Bolívar had purchased such common shares of Puerto Retiro from Redona Investments Ltd. N.V. in 1996. In 1999, we, through Inversora Bolívar, increased our interest in Puerto Retiro to 50.0% of its capital stock. On April 18, 2000, Puerto Retiro was served notice of a filing made by the Argentine government, through the Ministry of Defense, seeking to extend the bankruptcy of Indarsa to the Company. Upon filing of the complaint, the bankruptcy court issued an order restraining the ability of Puerto Retiro to dispose of, in any manner, the real property it had purchased in 1993 from Tandanor. Puerto Retiro appealed the restraining order which was confirmed by the Court on December 14, 2000.

In 1991, Indarsa had purchased 90% of Tandanor, a former government-owned company, which owned a piece of land near Puerto Madero of approximately 8 hectares, divided into two parcels: Planta 1 and 2. After the purchase of Tandanor by Indarsa, in June 1993, Tandanor sold "Planta 1" to Puerto Retiro, for a sum of US$18 million pursuant to a valuation performed by J.L. Ramos, a well-known real estate brokerage firm in Argentina. Indarsa failed to pay to the Argentine government the price for its purchase of the stock of Tandanor, and as a result the Ministry of Defense requested the bankruptcy of Indarsa. Since the only asset of Indarsa was its holding in Tandanor, the Argentine government is seeking to extend Indarsa's bankruptcy to other companies or individuals which, according to its view, acted as a single economic group. In particular, the Argentine government has requested the extension of Indarsa's bankruptcy to Puerto Retiro which acquired Planta 1 from Tandanor.

The deadline for producing evidence in relation to these legal proceedings has expired. The parties have submitted their closing arguments and are awaiting a final judgment. However, the judge has delayed his decision until a final judgment in the criminal proceedings against the former Defense Minister and former directors of Indarsa has been delivered. It should be noticed, regarding the abovementioned criminal procedure, that on February 23, 2011 it was resolved to declare its expiration, and to dismiss certain defendants. However, this resolution is not final because it was appealed. We cannot give you any assurance that we will prevail in this proceeding, and if the plaintiff's claim is upheld by the courts, all of the assets of Puerto Retiro would likely be used to pay Indarsa's debts and our investment in Puerto Retiro, would be lost. As of June 30, 2016, we had not established any reserve with respect of this contingency.