

# FY 2017 Conference Call

September 11, 2017



Hosted by:  
**Alejandro G. Elsztain, IIVP**  
**Daniel R. Elsztain, COO**  
**Matías I. Gaivironsky, CFO**

# Main Highlights for FY2017 – Consolidated Basis



- The Company has **changed the valuation method of the Investment properties** as of **June 30, 2017**

## Financial Consolidated Results FY17

- Revenues: **ARS 74.2 bn** (ARS 5.8 billion from Argentina & ARS 68.4 billion from Israel)
- Adjusted EBITDA: **ARS 10.0 bn** (ARS 2.4 billion from Argentina & ARS 7.6 billion from Israel)
- Net Gain: **ARS 5.2 bn** (ARS 2.7 billion from Argentina & ARS 2.5 billion from Israel)  
*Attributable to IRSA Shareholders: Gain of ARS 3.0 billion*

## Argentina Business Center

- **Good results** in the **rental segment**. Adjusted EBITDA for the Rental Segment grew by **27.5%** in FY17 vs FY16
- **Lower results** from **sales of investment properties** during FY17 compared to 2016 (ARS 128 million vs ARS 908 million)
- Works in progress in **Polo Dot & Catalinas Office Building**

## Israel Business Center (Consolidated 12M 2017 vs 6M 2016)

- **Strong results** due to **ADAMA sale** and **increase** in the **share price of Clal**, valued at market value
- IDBD has issued notes in the local market for NIS 1.060 and NIS 642 million at 5.4% and 5.3% fixed rate due 2019 and 2022 to refinance short term debt



## Main events - 2017

### Investment Properties Valuation Method

- We decided to change the valuation method for the investment properties from historical cost to fair value, which was reflected in the company's financial statements as of the IIIQ of FY17.

### Rental Operating Figures

- Shopping malls' sales grew by 19.1% in FY17 vs. FY16 and occupancy increased to 98.5%
- Good results coming from the office segment due to devaluation and positive outlook for A+ office market in BA.

### Investments during FY17

- GLA in shopping malls increased by ~8,000 sqm due to expansions of the current portfolio.
- We acquired Phillips building in DOT complex for USD 29 million to integrate to our Polo Dot Office Park

### CAPEX:

- Plan to develop ~ 20,000 sqm of malls' expansion during FY 2018 and start of construction of Alto Palermo expansion
- Works in progress in our office developments: Polo Dot 1<sup>st</sup> stage and Catalinas expected to be finished by FY19 and FY20 respectively

### Other investments:

- During FY17, we increased stake in La Rural S.A (fair & convention center) and Avenida Inc. (e-commerce).
- Subsequent event: acquisition of convertible notes of TGLT for USD 22.2 million

### Debt

- Subsequent event: we issued notes in the local capital market for USD 140 million at 5% fixed rate due 2020 to keep investing in real estate in Argentina

### Consolidated Financial Statements:

- Adjusted EBITDA for FY17 reached ARS 2,581 million increasing by 20.5% compared to 2016. Excluding sales of investment properties, grew by 27.8%.
- Adjusted EBITDA of Malls' and Office segment reached ARS 2.207 million and ARS 303 million, increasing by 23.1% and 35.2% respectively.
- Net income for FY17 reached ARS 3,378 million compared to a gain of ARS 12,253 million in FY16 mainly explained by lower results from changes in the fair value of investment properties

# Argentina Business Center – Development Catalinas

**Construction Works in progress**



**Catalinas Office Building (BA)**



**City of  
Buenos  
Aires  
office**

**US\$101mm**  
estimated investment

**35,468**  
sqm GLA

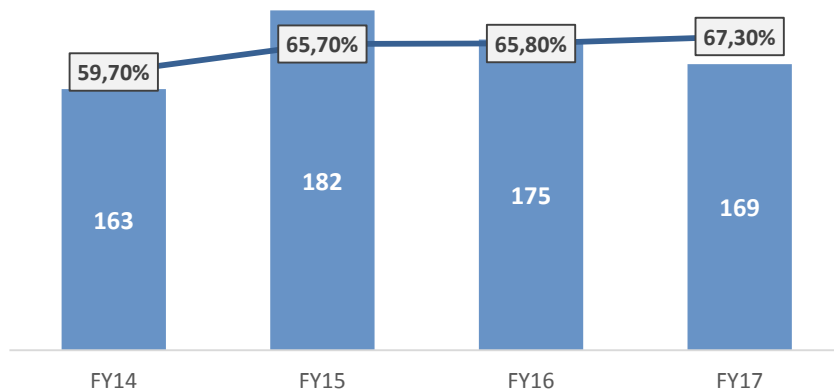
**FY2020**  
opening date



# Argentina Business Center - Hotels



**Avg Price / room & Occupancy**  
(USD)



**Summary Main Figures**  
(FY17 vs FY16)

**Revenues**



ARS 725 MM (+35.7% vs FY16)

**EBITDA**



ARS 20 MM (+100% vs FY16)

## Greenvielle Closed Community

South BA – Adjoining to Abril Club de Campo

**USD 4.7 million** (Avge USD/sqm 120)

### Units received from barter agreement

- 39,600 sqm distributed in 52 lots
- IRSA has initiated the sale process of the 52 lots (**6 signed and 4 under execution as of June 30, 2017**)
- Infraestructure is completed and a hotel inside the closed community will be opened soon



### ***Caballito agreement (December 2016)***

After the stop of construction works and several unfavorable judicial sentences, **IRSA and TGLT agreed to grant deed of distraction from the barter agreement**, after resolution of various issues by TGLT.

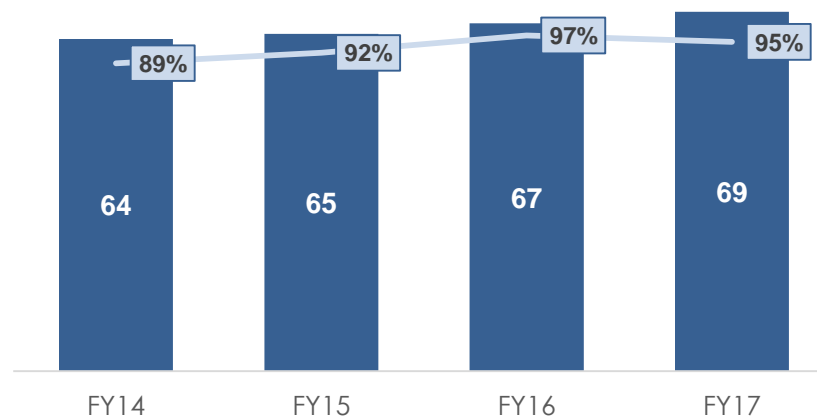
***Loss registered: ARS 27 million***

# Argentina Business Center – International

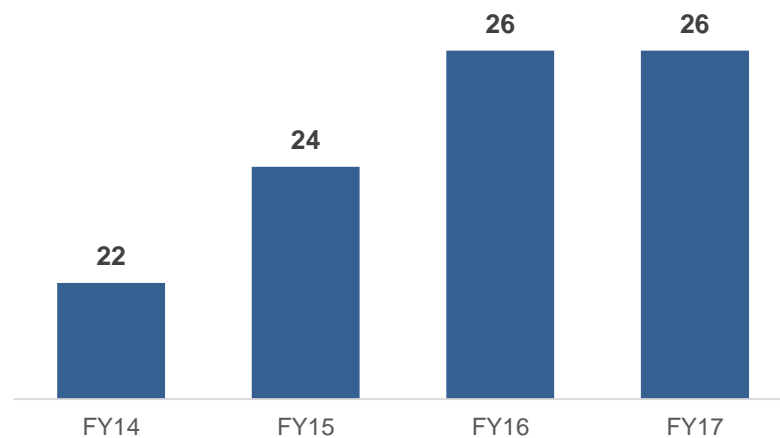
## Lipstick Building



### Leases USD/sqm & Occupancy %



### NOI (USD million)



The Company is currently working to refinance Lipstick's non recourse debt for ~ USD 113 million maturing on September 15, 2017

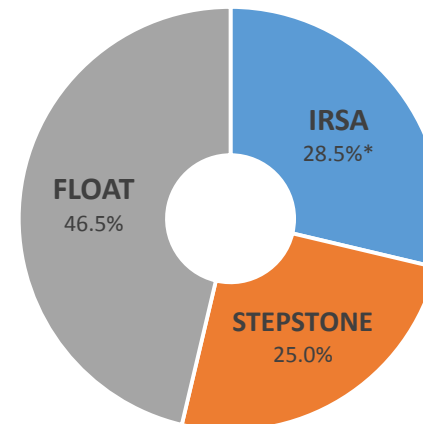




## Conversion of Preferred D to Common and Capital Increase

- On March 2017, Condor issued **4.7 million new shares** at a price of **USD/share 10.5**.
- On May 2017, Condor **extended a revolving credit line** from USD 90 million **to USD 150 million**.
- Proceeds from those transactions were used to **refinance short term debt** and **keep acquiring hotels** in the US following its **fly to quality strategy**.

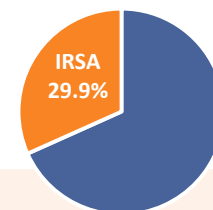
Common shareholders' structure  
(%)



• Through a subsidiary controlled in a 66,3 %.  
In addition, IRSA indirectly holds warrants, a promissory note and preferred Serie E shares



## Ownership



## Main events - 2017

- As of June 30, 2017 Banco Hipotecario book value reached ARS 6,681 million, its consolidated assets ARS 55,262 million and net income for the 12 month period reached ARS 865 million. As of April 2017, Banco Hipotecario was the 13th bank of the financial system in terms of equity value and 15th in terms of total assets

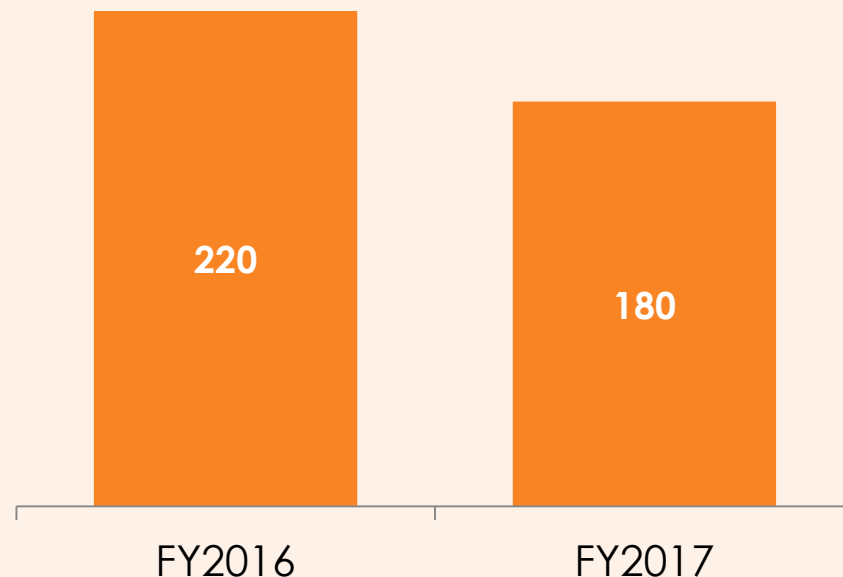
## Results to IRSA

- The bank has generated a gain of ARS 83 million during FY17 compared to a gain of ARS 259 million during FY16

## Prospects for next period

- Continue developing sustainable solutions for housing deficit in Argentina
- Increase share in the financial consumer market
- Boost the corporate products business
- Increase customers' base and expand distribution capacity
- Maintain a balanced structure between assets and liabilities managing the different terms and currency exposure.

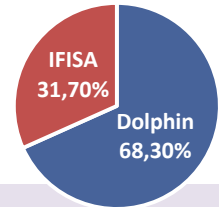
## Market Value to IRSA (USD million)



## IDB Development Corporation Ltd.

### Main events - 2017

#### Ownership



#### Sale of Adama:

- DIC sold its 40% stake in Adama to Chemchina for USD 230 mm in excess of the total loan cancellation for USD 1.17 Bn
- Gain recognized at IRSA: ARS 4.2 billion

#### The signing of the Israil – Sun D’or transaction

- The signing of a transaction for the sale of Israil, within the framework of which a net amount of approximately \$42 – 45 million will be received in cash and 25% of the shares in Sun D’or (subject to crucial terms, including the approval of the Anti-Trust Authority).

#### Debt

- The raising of the rating, the strengthening of the liquidity, the continuation of the lowering of the yield on the bonds and the removal of the going concern clause and covenants
- Refinance of short term debt to 2019 at 5.40% fixed rate.

#### Dividends

- DIC paid dividends for the 1<sup>st</sup> time since 2014 for a total amount of NIS 694 million.

#### Clal Insurance:

- The continuation of the legal processes in the matter of the outline for the sale of the Company’s holdings in Clal Insurance.
- As of today, IDBD sold 10% of Clal Insurance through the execution of two swap transaction.

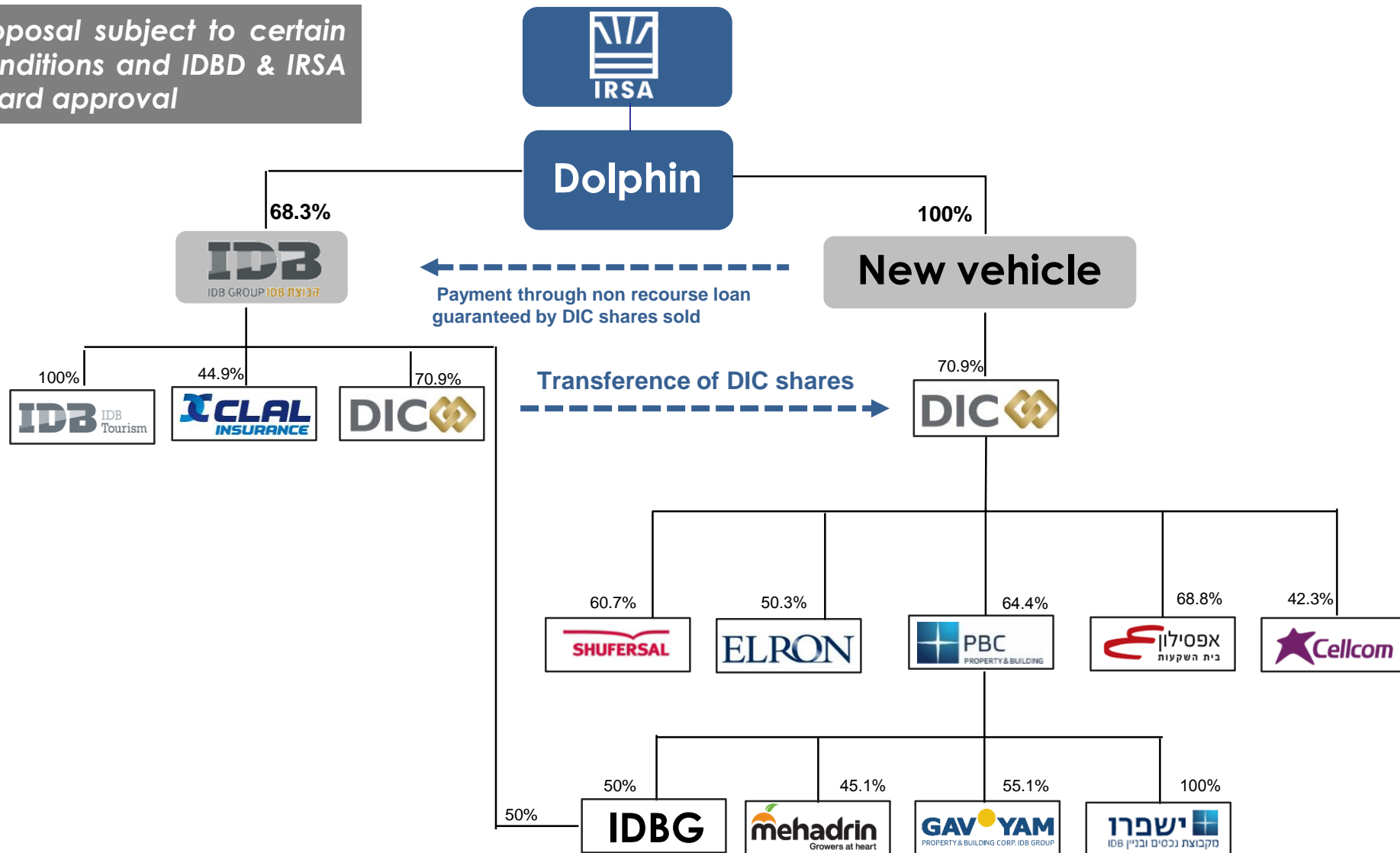
#### The Concentration Law:

- The law do not allow to have more than 3 layers of public companies (Eg: IDBD-DIC-PBC-Gav-Yam)
- The selected course of action involved the sale of all the shares of Discount Investment Corporation Ltd. (“DIC”) at a fair value to a special-purpose corporation incorporated in Israel, controlled by IRSA and financed through a loan with guarantee on DIC shares.
- On August 2017, Dolphin made a non binding offer to acquire all the stake of IDBD in DIC.
- The execution is subject to approval of IDBD and IRSA board of directors



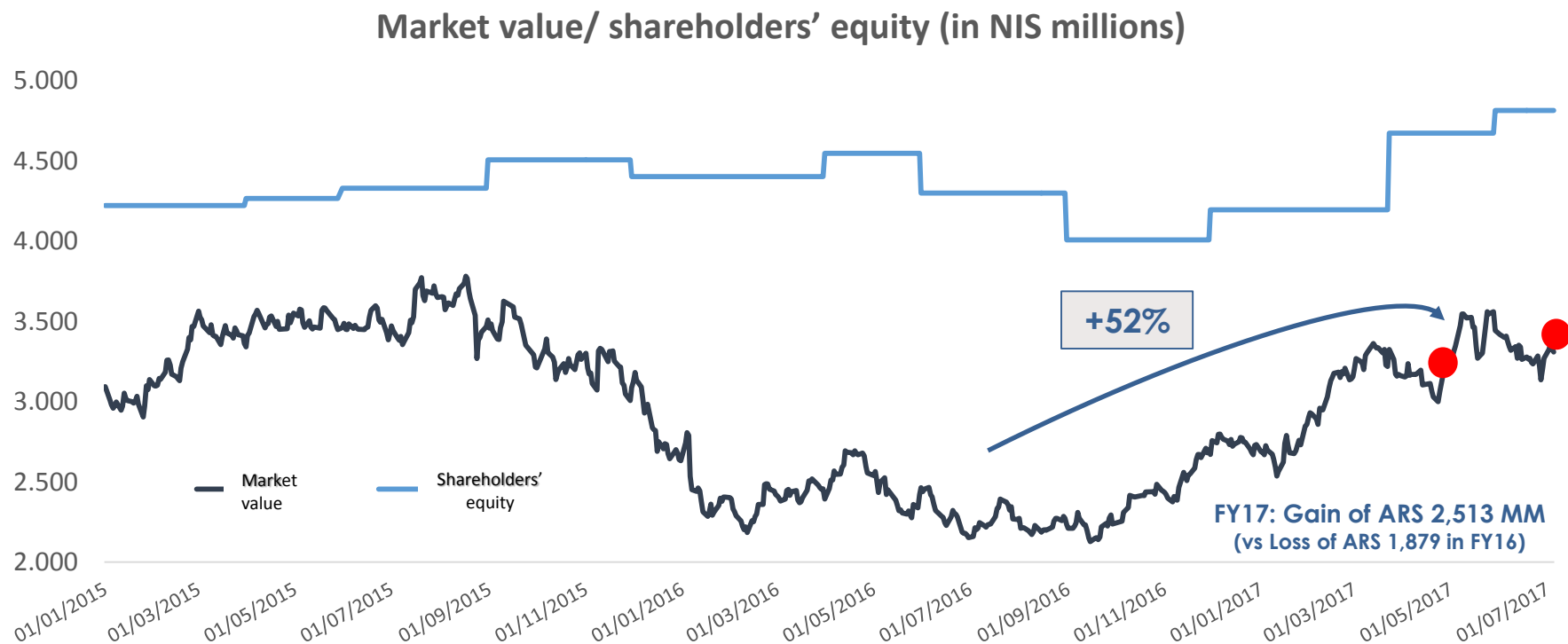
# Israel Business Center: Concentration Law

Proposal subject to certain conditions and IDBD & IRSA Board approval



# Israel Business Center: Clal' share price evolution

## Clal Insurance



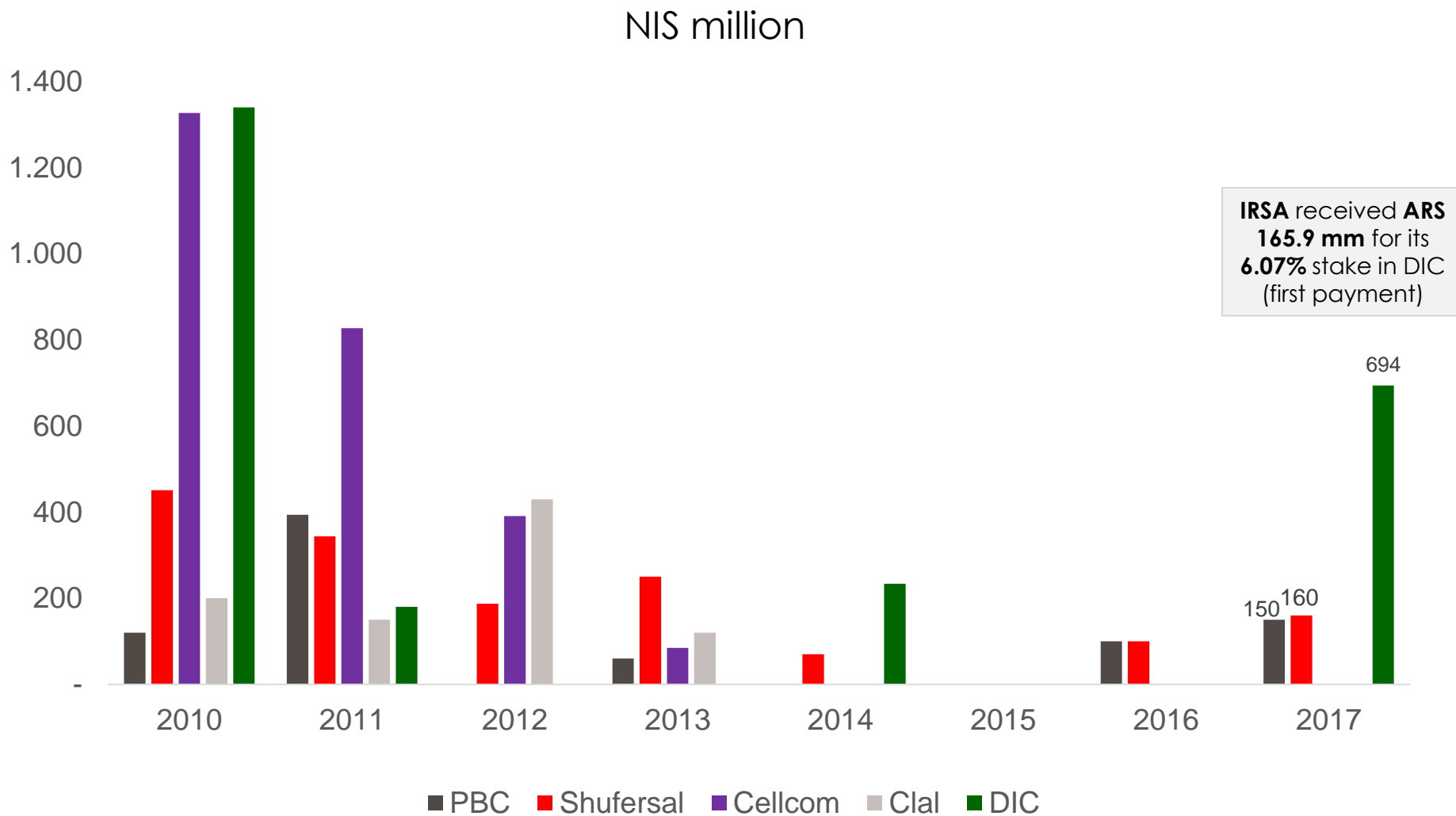
● Two sales of 5% stake each at market price through swap transactions with local banks

### Subsequent event : Non-binding Offer for IDBD stake in CLAL

- IDBD has received a non-binding offer from Huabang Financial Holdings Limited (listed on the Hong Kong Stock Exchange) to acquire its entire stake in Clal.
- The amount to be paid will be the equivalent to Clal's equity as of the time of the transaction (currently ~ NIS 4.88 billion)
- The transaction is subject to certain conditions, including regulatory approvals.



# Israel Business Center: Dividends' Payment

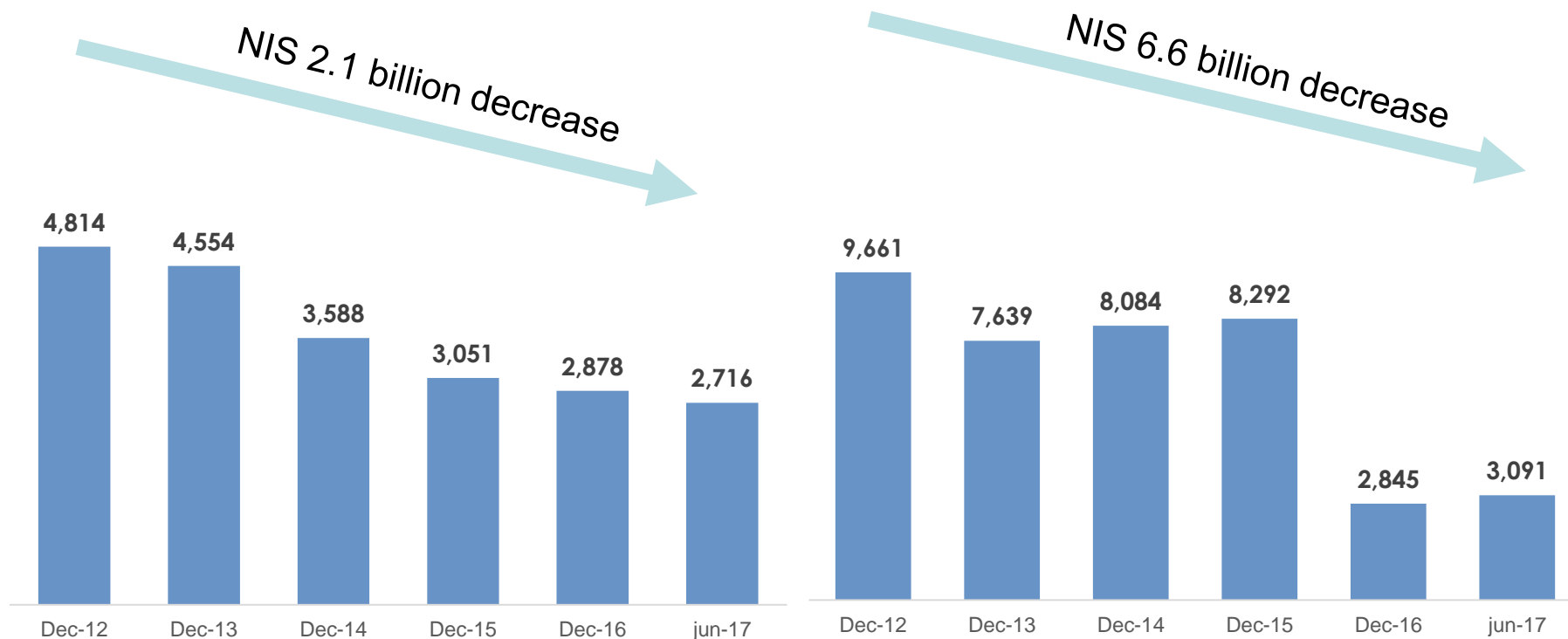


\* In two payments (april-17 for a total amount of NIS 508 million and the balance will be paid on sep-17)

# IDBD & DIC Net debt decrease (NIS million)

## IDBD

## DIC\*



\*Includes Adama non recourse loan

## Companies' last issuances:

- **Gav-Yam (Sep-17): NIS 424 million at 2.55% fixed rate due 2034.**
- **IDBD (July-17) : NIS 642.1 million at 5.30% fixed rate due 2022**
- **PBC (Apr-17): NIS 446 million at 3.68% fixed rate due 2029**
- **Gav -Yam (Mar-17): NIS 430 million at 1.69% fixed rate due 2026**
- **DIC (Mar-17): NIS 555 million at 4.06% + CPI due 2025**
- **IDBD (Feb-17): NIS 1,060 million at 5.40% fixed rate due 2019**



# IDBD Net Asset Value (NIS million) as of June 30, 2017

		Carrying value in the balance sheet	Assets value
	Holding rate	NIS millions	
DIC	71%	1,218	1,498
Dividend receivable from DIC		128	-
IDB Tourism	100%	155	155
IDBG	50%	254	254
Cla Holdings Insurance Enterprises	50%	1,632	1,609
Others		4	6
		3,391	3,522
Less net financial debts			(2,716)
Total net assets value (NAV)			806
Leveraging level (LTV)			77%

# Financial Results



# Decision to change the valuation method of Investment Properties: From historical cost to Fair Value

- During FY17, **IRSA and IRSA Commercial Properties** have decided to **change the valuation method of their investment properties** (mainly, shopping malls, offices and land reserves) **from historical cost to fair market value**, in accordance with the International Financial Reporting Standards (IFRS).
- The subsidiary IRSA Commercial Properties has already reflected this change in the IIIQ17 and IRSA is reflecting it in the **fourth quarter of the fiscal year**.

## Valuation of Investment Properties at Fair Value

Shoppings	Offices*	Land Reserves	IDB Investment Properties	Property, Plant and Equipment at Historical Cost
				
				Hotels

\* Includes La Rural & Lipstick building

**Independent Appraisers:** Newmark Bacre for Argentina Business Center and different appraisers for Israel Business Center



# Change of Investment Properties' Valuation Method

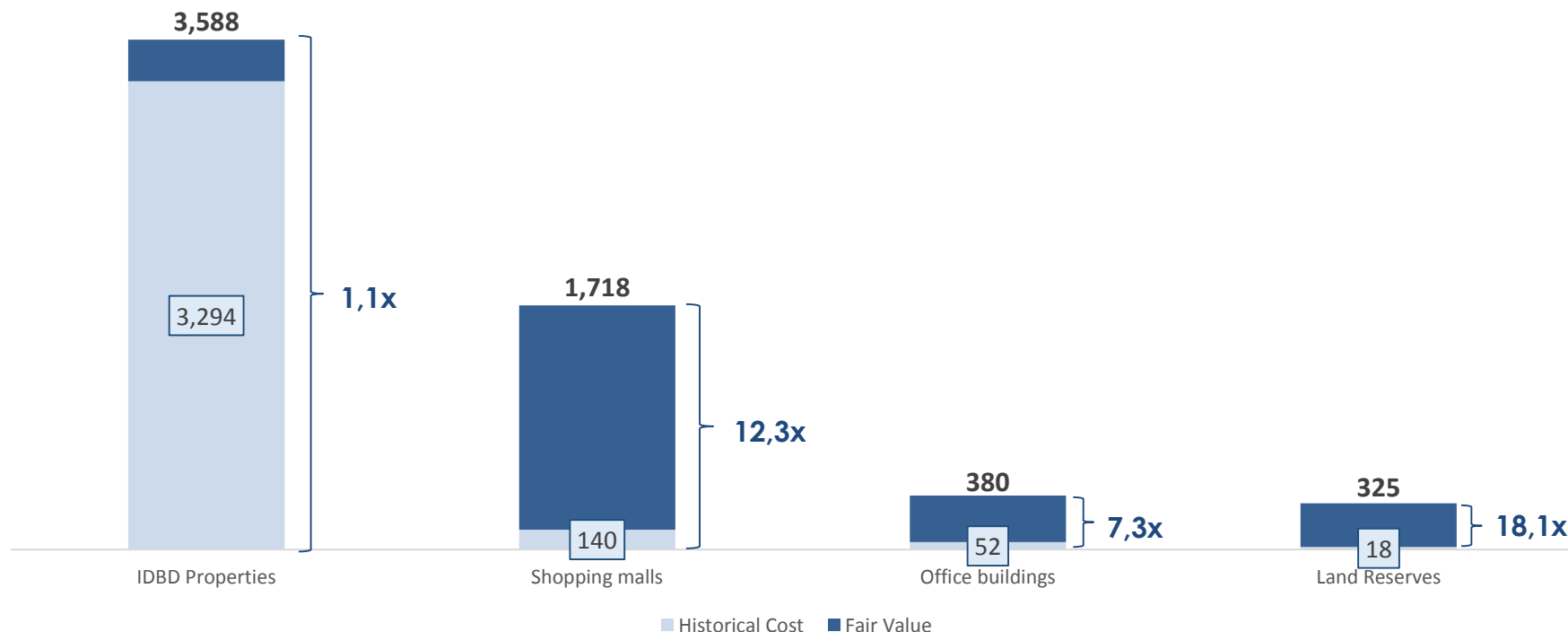
## *From historical cost to fair value*

### Why we decided to change the valuation method?

The Group believes that this change is justifiable because it **better reflects the reasonable value of its core assets** and therefore provides more relevant information to management and users of our financial statements.

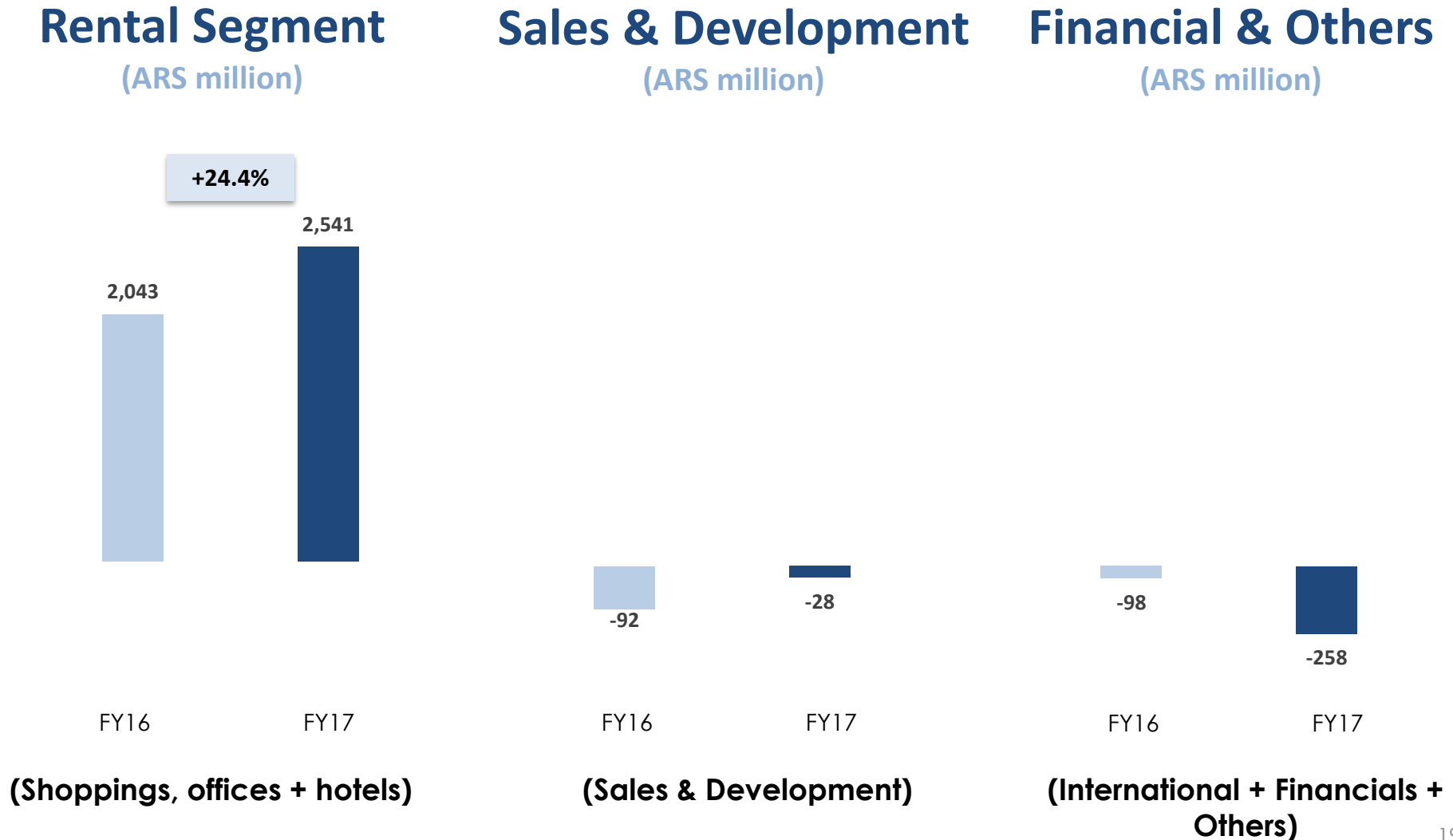
### Investment Properties' Valuation (USD million)

As of June 30, 2017 (using ARS/USD 16,63)



# Argentina Business Center: Adj. Operating Income by Segment FY17

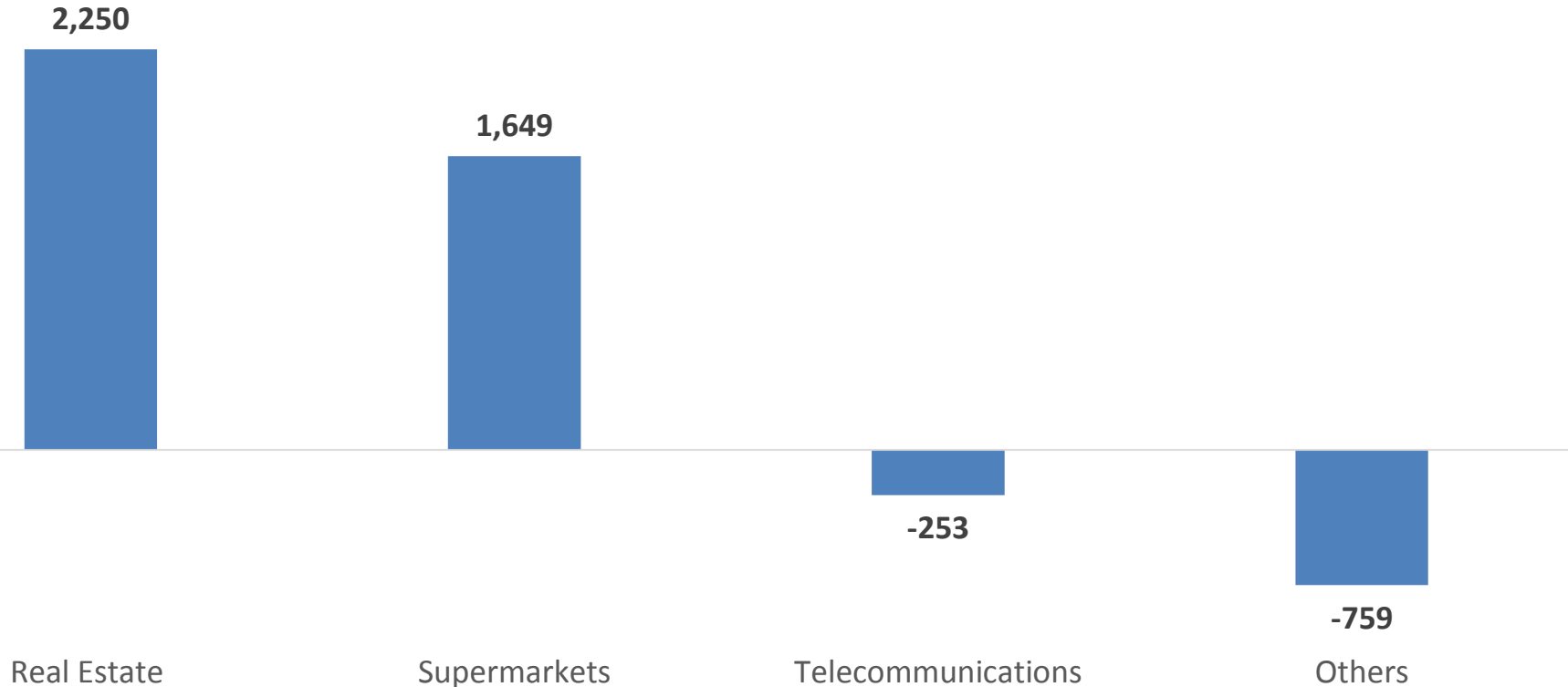
*Excluding Results from changes in the fair value of Investment Properties*



# Israel Business Center: Adj. Op. Income by Segment 12M (Abr-16 to Mar-17)

In ARS million

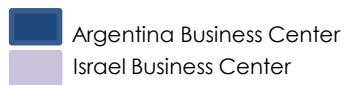
*Excluding Results from changes in the fair value of Investment Properties*



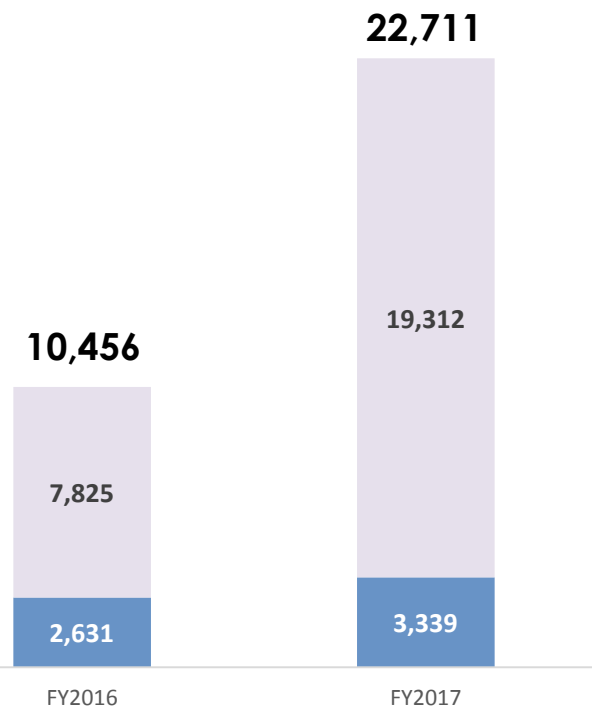
Consolidated Subsidiaries



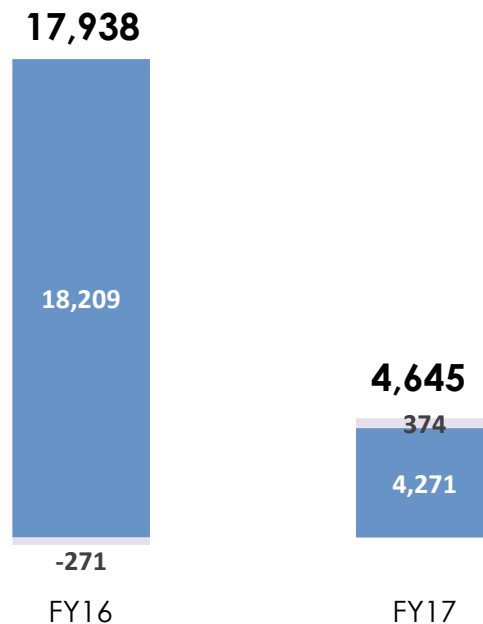
# Consolidated Financial Results 12M FY17 – ARS MM



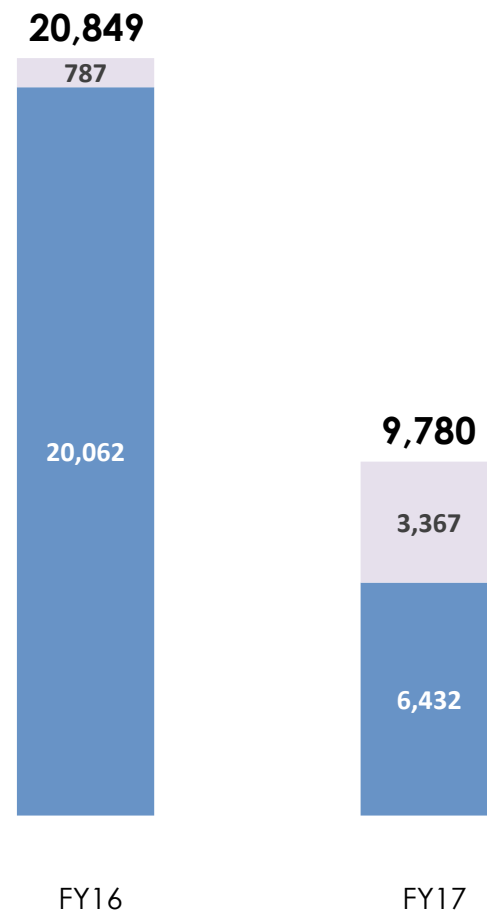
## Gross Profit



## Results from changes in Fair Value of Investment Properties

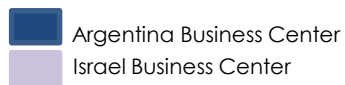


## Operating Income

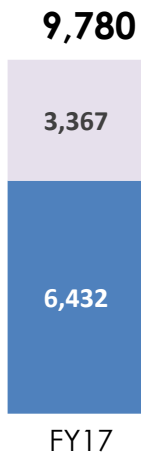




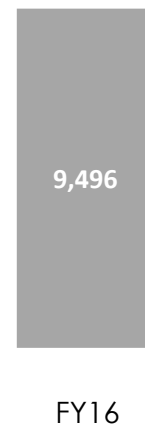
# Consolidated Financial Results 12M FY17 – ARS MM



## Operating Income



## Net Financial Results

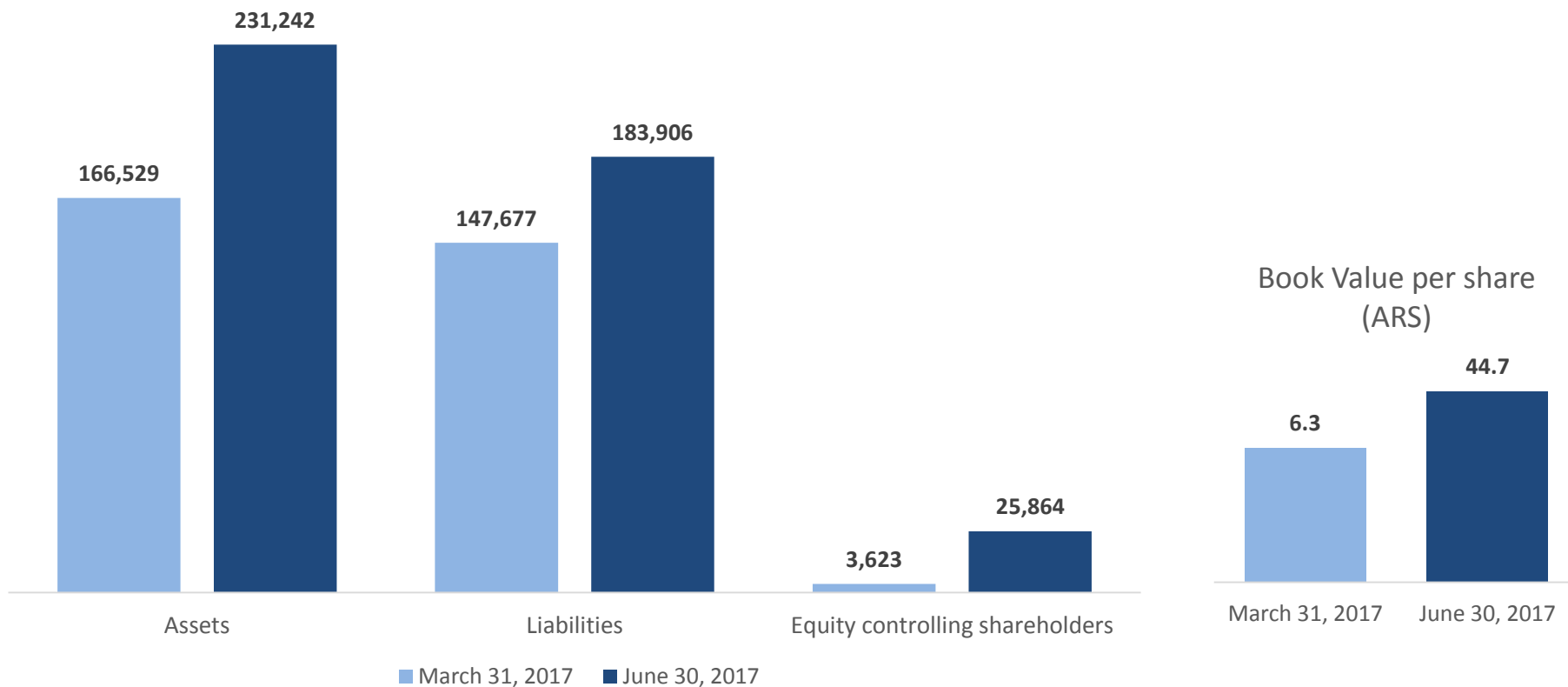


## Net Income



3,030 Controlling shareholder  
 2,190 Minority interest

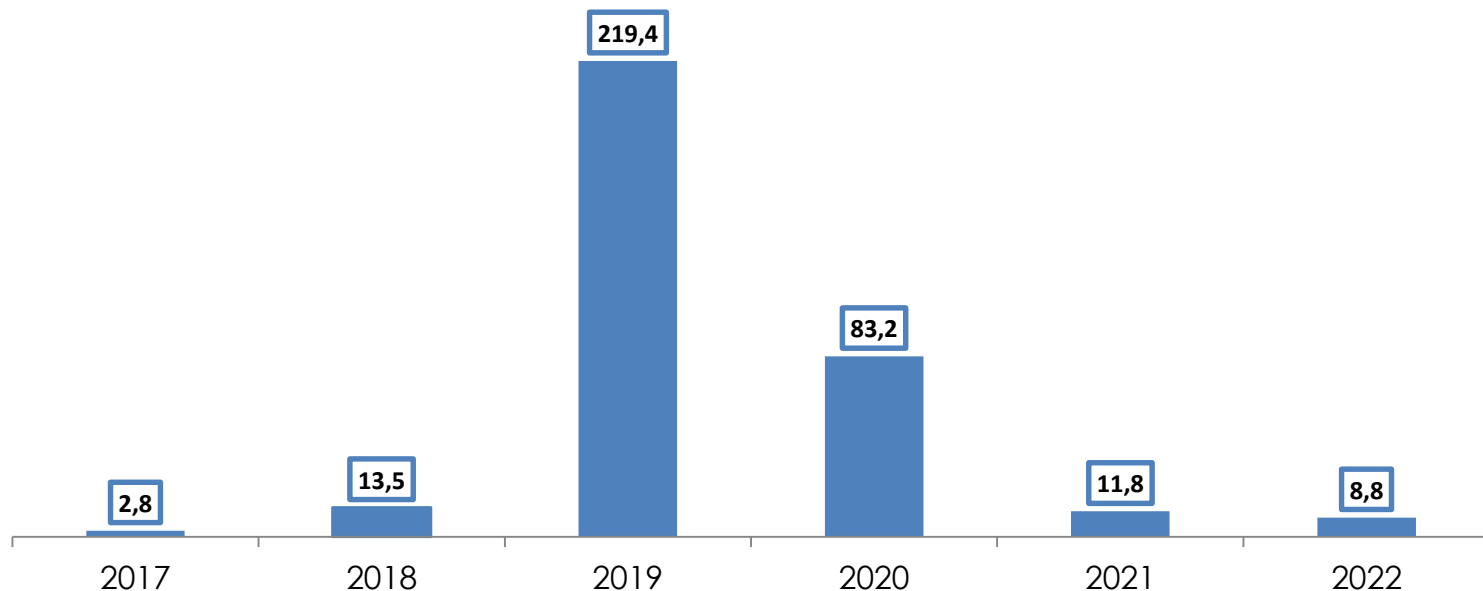
# Consolidated Balance Sheet FY17 – ARS MM



Gross Debt: **USD 339.5 MM**

Net Debt: **USD 328.3 MM**

## Debt Amortization schedule (USD million)



# Contact Information



**ALEJANDRO ELSZTAIN** – II VP  
**MATÍAS GAIVIRONSKY** – CFO  
Tel +(54 11) 4323 7449

## Corporate Offices

Intercontinental Plaza  
Moreno 877 24° Floor  
Tel +(54 11) 4323 7400  
Fax +(54 11) 4323 7480  
C1091AAQ – City of Buenos Aires – Argentina

NYSE Symbol: **IRS**  
BASE Symbol: **IRSA**

[www.irsa.com.ar](http://www.irsa.com.ar)

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**Independent Auditors**  
**PricewaterhouseCoopers**  
**Argentina**

Tel +(54 11) 4850 0000  
Bouchard 557 7°  
C1106ABG – City of Buenos Aires  
Argentina

## Cautionary Statement

Investing in all equities, including natural resources and real estate-related equities, carries risks which should be taken into consideration when making an investment.

This institutional presentation contains statements that constitute forward-looking statements, in that they include statements regarding the intent, belief or current expectations of our directors and officers with respect to our future operating performance. You should be aware that any such forward looking statements are no guarantees of future performance and may involve risks and uncertainties, and that actual results may differ materially and adversely from those set forth in this presentation. We undertake no obligation to release publicly any revisions to such forward-looking statements to reflect later events or circumstances or to reflect the occurrence of unanticipated events.

Additional information concerning factors that could cause actual results to differ materially from those in the forward-looking statements can be found in the companies' Forms 20-F for Fiscal Year 2016 ended June 30, 2016, which are available for you in our web sites.

