IRSA PROPIEDADES COMERCIALES

Investor Education

Change of Investment Properties' Valuation Method – From Cost to Fair Value

Change of Investment Properties' valuation method
From Cost to Fair Value

IRSA COMMERCIAL PROPERTIES

Decision to change the valuation method of the Investment Properties

- In the third quarter of fiscal 2017, the Group's Board of Directors decided to change the accounting policy for investment property **from the cost model to the fair value model**, according to IFRS rules.
- The Group has therefore **retroactively changed** the previously issued consolidated financial statements for the last **3 years**.

When will this change be reflected?

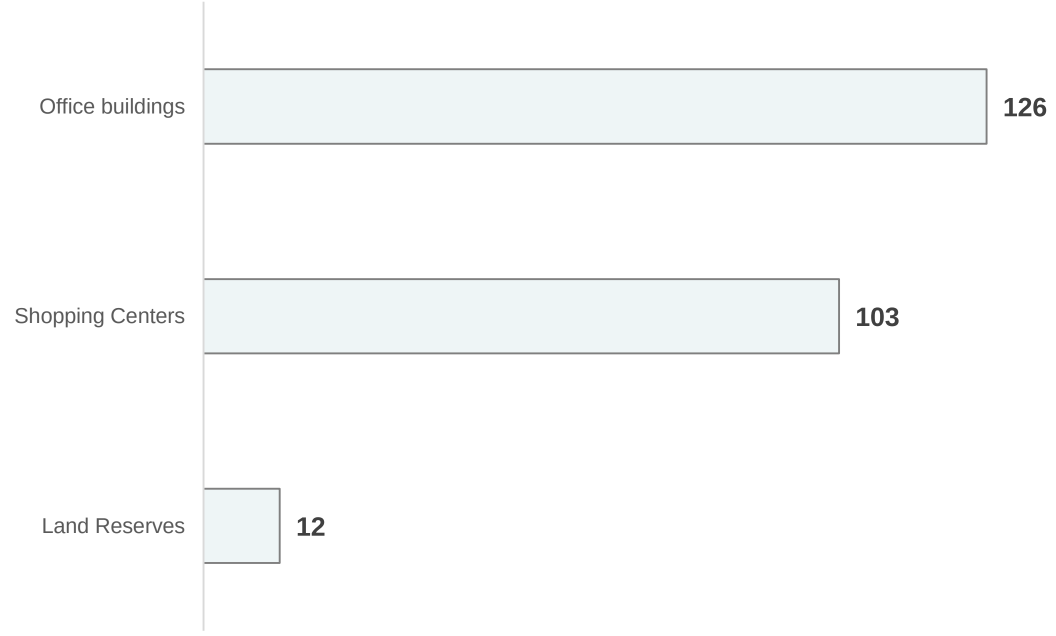
Since our next Financial Statements
as of March 31, 2017

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.

Current Book Value of Investment Properties
(at historical cost)

(USD MM)



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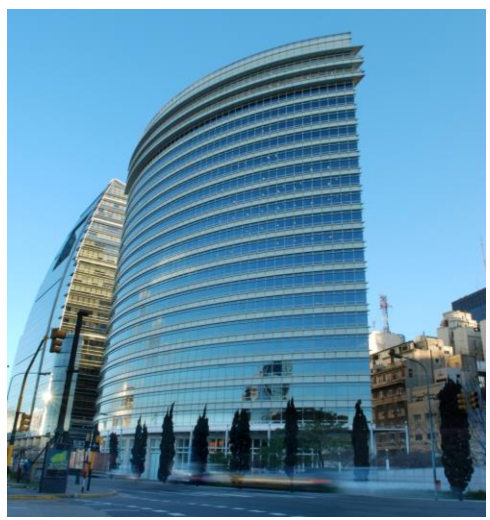
IRSA COMMERCIAL PROPERTIES

Assets clasified as Investment Properties

- **Investment properties** are those properties owned by the Group that are **held either to earn long-term rental income or for capital appreciation and that are not occupied by the Group for its own operations**. Investment properties from **associates and joint ventures** follow the same accounting policy in the consolidated financial statements.

- Investment property also includes **properties that are being constructed or developed for future use as investment property**. The Group also classifies **land whose future use has not been determined yet** as investment property.

Shoppings Malls	Offices*	Land Reserves



** Includes La Rural S.A.*

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IRSA COMMERCIAL PROPERTIES

Valuation made by 3rd qualified independant party

- The Group's investment properties were valued at each reporting date by an **independent professionally appraiser:**

NEWMARK GRUBB BACRE

Valuation techniques used for the estimation of fair value of the investment property

- For all **shopping malls**, the valuation will be determined using **discounted cash flow** ("DCF") projections

- For **office properties and undeveloped land**, the valuation will be determined using **market comparable**. These values are adjusted for differences in key attributes such as location, size of the property and quality of the interior design. The most significant contribution to this comparable market approach is the **price per square meter**.

- For **properties under construction**, the valuation will be based on a **cost basis** for all periods indicated. These properties under development comprise works in a building office to be constructed.

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IRSA COMMERCIAL PROPERTIES

Main impacts in Equity

- The impact of fair value measurement of Investment Properties **since the change of accounting rule from Argentine GAAP to IFRS (2011)** was recognized in a **special reserve** <u>not subjet for distribution.</u>

- **Subsequent changes (from 2012 to 2016)** in the fair value measurement of Investment Properties is recognized in **accumulated retained earnings.**

- Changes in the fair value measurement of Investment Properties of the **current fiscal year 2017** is recognized in the **P&L and accumulated retained earnings**.

Until 2011
Special Reserve

From 2012 to 2016
Accumulated retained earnings

Fiscal year 2017
P&L and accumulated retained earnings

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IRSA COMMERCIAL PROPERTIES

Main impacts in the next Financial Statement (as of March 31, 2017)

- **Positive impact** on the **Income Statement** under the new line "*Change of fair value of Investment properties*"
- **Positive impact** in **Equity**
- **Elimination** of **D&A** of Investment Properties
- **Elimination** of Gain from sales of Investment Properties
- **No Tax impact** (just accounting registration of a differed income tax)
- According to IFRS rules, there's **no chance to return back to Cost Method**

IRSA PROPIEDADES COMERCIALES

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