CRESUD INC
Form 20-F
October 31, 2013

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, 2013

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, 23rd Floor,
(C1091AAQ) Buenos Aires, Argentina
(Address of principal executive offices)

Matías Gaivironsky

Chief Financial Officer
Tel +(5411) 4323-7449 – finanzas@cresud.com.ar
Moreno 877 24th Floor
(C1091AAQ) 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, 2013 was 501,562,730

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

£ Yes S 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.

S 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.

S 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 S 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 S 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 S Other £

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

£ Item 17 £ Item 18

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

£ Yes S No

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DISCLOSURE REGARDING FORWARD-LOOKING INFORMATION

The Private Securities Litigation Reform Act of 1995 provides a “Safe Harbor” for forward looking statements.

This annual report contains or incorporates by reference statements that constitute “forward-looking statements,” regarding the intent, belief or current expectations of our directors and officers with respect to our future operating performance. Such statements include any forecasts, projections and descriptions of anticipated cost savings or other synergies. Words such as “anticipate,” “expect,” “intend,” “plan,” “believe,” “seek,” “estimate,” variations of such words, and expressions are intended to identify such forward-looking statements. You should be aware that any such forward-looking statements are not guarantees of future performance and may involve risks and uncertainties, and that actual results may differ from those set forth in the forward-looking statements as a result of various factors (including, without limitations, the actions of competitors, future global economic conditions, market conditions, foreign exchange rates, and operating and financial risks related to managing growth and integrating acquired businesses), many of which are beyond our control. The occurrence of any such factors not currently expected by us would significantly alter the results set forth in these statements.

Factors that could cause actual results to differ materially and adversely include, but are not limited to:

- changes in general economic, business or political or other conditions in Argentina or changes in general economic or business conditions in Latin America;
- changes in capital markets in general that may affect policies or attitudes toward lending to Argentina or Argentine companies;
- inflation, changes in exchange rates or regulations applicable to currency exchanges or transfers;
- our ability to integrate our business with companies and/or assets we may acquire;
- unexpected developments in certain existing litigation;
- current and future laws and governmental regulations applicable to our business;
- increased costs;
- fluctuations and reductions on the value of Argentina’s public debt;
- unanticipated increases in financing and other costs or the inability to obtain additional debt or equity financing on attractive terms;
- force majeure; and
- the factors discussed under “Risk Factors.”

You should not place undue reliance on such statements, which speak only as of the date that they were made. Our independent public accountants have not examined or compiled the forward-looking statements and, accordingly, do not provide any assurance with respect to such statements. These cautionary statements should be considered in connection with any written or oral forward-looking statements that we might issue in the future. We do not undertake any obligation to release publicly any revisions to such forward-looking statements after filing of this Form to reflect later events or circumstances or to reflect the occurrence of unanticipated events.

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. One gallon is equal to 3.7854 liter. 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 beef 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

This annual report contains our audited consolidated financial statements as of June 30, 2013 and 2012 and for the years ended June 30, 2013 and 2012 (our “audited consolidated financial statements”). Our audited consolidated financial statements have been audited by Price Waterhouse & Co. S.R.L. Buenos Aires Argentina, a member firm of PricewaterhouseCoopers, an independent registered public accounting firm (“Price Waterhouse & Co.”), whose report is included herein.

Pursuant to Resolution No. 562/09 of the Comisión Nacional de Valores (CNV), as subsequently amended by Resolution No. 576/10, all listed companies in Argentina with certain exceptions (i.e. financial institutions and insurance entities) were required to present their audited 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, we have prepared our audited consolidated financial statements under IFRS for the first time for our financial year ended June 30, 2013, which included comparative financial information for the year ended June 30, 2012. All IFRS standards issued by the IASB effective at the time of preparing the audited consolidated financial statements have been applied. In addition, we have applied certain IFRS standards which were not effective as of June 30, 2013 but for which earlier adoption was permitted.

The opening IFRS statement of financial position was prepared as of our transition date of July 1, 2011. Prior to the adoption of IFRS, we prepared our audited consolidated financial statements in accordance with generally accepted accounting principles used in Argentina, as set forth by the Federación Argentina de Consejos Profesionales de Ciencias Económicas ("FACPCE") and as implemented, adapted, amended, revised and/or supplemented by the Consejo Profesional de Ciencias Económicas de la Ciudad Autónoma de Buenos Aires ("CPCECABA") (collectively "Argentine GAAP"). We also complied with the regulations of the CNV.

The application of IFRS 1 "First Time Adoption of IFRS" required us to adopt accounting policies based on the standards and interpretations effective at the reporting date of our first IFRS financial statements (June 30, 2013). As a result of adopting IFRS, we have changed many of our previous accounting policies. These IFRS accounting policies have been applied consistently in preparing our audited consolidated financial statements, and in the preparation of the opening IFRS statement of financial position at transition date.

In preparing the opening IFRS statement of financial position, we have adjusted amounts reported previously in our audited consolidated financial statements prepared in accordance with Argentine GAAP. An explanation of how the transition from Argentine GAAP to IFRS has affected our financial performance and financial position is set out in the following table.

	July 1, 2011(1)	June 30, 2012(1)
Total shareholders' equity under Argentine GAAP attributable to Cresud	2,101,681	2,063,281
Revenue recognition – "scheduled rent increases"	51,991	78,479
Revenue recognition – "letting fees"	(35,447)	(44,446)
Biological assets and agriculture produce at the point of harvest	58,727	38,517
Inventories	(6,745)	(5,378)
Trading properties	(29,315)	(18,946)
Pre-operating and organization expenses	(22,771)	(22,767)
Goodwill	770,752	709,368
Non-current investments – financial assets	151,411	138,204
Initial direct costs on operating leases	698	946
Tenant deposits	114	329
Commodity linked debt	97	72
Impairment of financial assets	(2,088)	(519)
Present value accounting – tax credits	14,644	10,931
Investments in associates	(56,224)	(151,873)
Investments in joint ventures	(16,496)	(11,271)
Acquisition of non-controlling interest	-	(22,627)
Disposals of non-controlling interest	-	2,690

Amortization of cost debts	110	384
Warrants cancelation	-	(2,706)
Deferred income tax	(33,917)	(35,550)
Non-controlling interest on adjustment above	(217,523)	(168,255)
Subtotal shareholders' equity under IFRS attributable to Cresud	2,729,699	2,558,863
Non-controlling interest	2,480,379	2,132,648
Total shareholders' equity under IFRS	5,210,078	4,691,511

	June 30, 2012(1)
Net comprehensive income under Argentine GAAP attributable to Cresud	78,263
Revenue recognition – “scheduled rent increases”	26,488
Revenue recognition – “letting fees”	(8,999)
Biological assets and agriculture produce at the point of harvest	(17,001)
Inventories	1,367
Trading properties	10,369
Pre-operating and organization expenses	4
Goodwill	(60,428)
Non-current investments – financial assets	(13,207)
Initial direct costs on operating leases	248
Tenant deposits	215
Commodity linked debt	(25)
Impairment of financial assets	1,569
Present value accounting – tax credits	(3,713)
Investments in associates	(89,564)
Investments in joint ventures	5,225
Disposals of non-controlling interest	2,690
Amortization of cost debts	274
Currency translation	32,518
Deferred income tax	(2,178)
Non-controlling interest on adjustment above	14,556
Subtotal net comprehensive income under IFRS attributable to Cresud	(21,329)
Non-controlling interest	79,810
Total net comprehensive income under IFRS attributable to Cresud	58,481

	June 30, 2012(1)
Other comprehensive income under Argentine GAAP attributable to Cresud	(58,692)
Biological assets and agriculture produce at the point of harvest	(3,209)
Goodwill	(956)
Investments in associates	(6,082)
Currency translation	(32,518)
Deferred income tax	544
Non-controlling interest on adjustment above	18,974
Subtotal other comprehensive income under IFRS attributable to Cresud	(81,939)
Non-controlling interest	(152,879)
Total other comprehensive income under IFRS attributable to Cresud	(234,818)

(1) In thousands of Pesos.

Note 3 to our audited consolidated financial statements included in Item 18 of this annual report on Form 20-F contains a thorough description of the application of the optional exemptions and mandatory exceptions under IFRS 1 together with the required reconciliations of Argentine GAAP to IFRS and a detailed explanation of the adjustments.

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 appear 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; and when we refer to "Central Bank" we mean the 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, 2013, which was Ps. 5.388 = US$ 1.00. We make no representation that the Peso or U.S. dollar amounts actually represent or could have been or could be converted into U.S. dollars at the rates indicated, at any particular rate or at all.

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 and the discussion in Item 5 “Operating and Financial Review and Prospects” included elsewhere in this annual report.

The selected consolidated statement of income data for the years ended June 30, 2013 and 2012 and the selected consolidated balance sheet data as of June 30, 2013 and 2012 and as of July 1, 2011 have been derived from our audited consolidated financial statements included in this annual report which have been audited by Price Waterhouse & Co.

	IFRS For the fiscal years ended June 30,		
	2013(1)	2013	2012
	(in thousands of US$)	(in thousands of Ps.)	
Audited Consolidated Statements of Comprehensive Income			
Revenues	654,891	3,528,551	2,859,849
Costs	(579,161)	(3,120,522)	(2,464,209)
Initial recognition and changes in fair value of biological assets and agricultural produce at the point of harvest	164,578	886,744	700,946
Changes in net realizable value of agricultural produce after harvest	2,182	11,756	2,720
Gross Profit	242,490	1,306,529	1,099,306
Gain from disposal of investment properties	33,041	178,026	116,689
Gain from disposal of farmlands	27,762	149,584	45,490
General and administrative expenses	(63,564)	(342,484)	(311,962)
Selling expenses	(51,527)	(277,626)	(200,490)
Management fees	-	-	(8,696)
Other operating results, net	17,137	92,332	(93,381)
Profit from operations	205,339	1,106,361	646,956
Share of profit / (loss) of associates and joint ventures	(1,822)	(9,818)	2,796

Profit from operations before financing and taxation	203,517	1,096,543	649,752
Finance income	40,270	216,976	159,579
Finance cost	(213,340)	(1,149,476)	(760,357)
Other Financial results	4,406	23,739	25,538
Financial results, net	(168,664)	(908,761)	(575,240)
Profit before income tax	34,853	187,782	74,512
Income tax expense	(6,221)	(33,519)	(16,031)
Profit for the period	28,632	154,263	58,481
Attributable to:			
Equity holders of the parent	(4,993)	(26,907)	(21,329)
Non-controlling interest	33,625	181,170	79,810
Profit for the period	28,632	154,263	58,481
Other comprehensive income:			
Items that may be reclassified subsequently to profit or loss:			
Currency translation adjustment	33,576	180,908	(231,288)
Currency translation adjustment from subsidiaries, associates and joint ventures	318	1,715	(3,530)
Other comprehensive income / (Loss) for the period (i)	33,894	182,623	(234,818)
Total comprehensive income / (Loss) for the period	62,526	336,886	(176,337)
Attributable to:			
Equity holders of the parent	12,185	65,647	(103,268)
Non-controlling interest	50,341	271,239	(73,069)
Audited Consolidated Statements of Cash Flows			
Net cash generated from operating activities	120,364	648,519	668,411
Net cash used in investing activities	(17,263)	(93,012)	(353,920)
Net cash used in financing activities	(3,185)	(17,160)	(478,941)

	IFRS			
		June 30,		July 1,
	2013	2013	2012	2011
	(in thousands of US$)	(in thousands of Ps.)		
Audited Consolidated Statements of Financial Position				
ASSETS				
Non-Current Assets				
Investment properties	775,780	4,179,901	3,463,941	3,553,647
Property, plant and equipment	341,769	1,841,454	1,872,920	1,976,970
Trading properties	33,881	182,553	170,472	158,019
Intangible assets	23,258	125,312	75,077	80,457
Biological assets	56,260	303,128	278,208	325,864
Investments in associates and joint ventures	275,958	1,486,862	1,500,560	1,438,855
Deferred income tax assets	33,264	179,228	80,674	23,914
Income tax receivables	36,910	198,871	156,892	123,854
Restricted assets	10,139	54,631	-	-
Trade and other receivables	54,089	291,430	297,169	236,787
Investment in financial assets	47,094	253,742	626,683	426,152
Derivative financial instruments	4,710	25,377	18,434	60,442
Total Non-Current Assets	1,693,112	9,122,489	8,541,030	8,404,961
Current Assets				
Trading properties	2,169	11,689	10,529	28,443
Biological assets	18,108	97,564	85,251	107,239
Inventories	46,840	252,376	253,447	371,268
Restricted assets	190	1,022	-	-
Income tax receivables	887	4,779	28,762	76,116
Trade and other receivables	268,391	1,446,091	859,302	679,426
Investment in financial assets	71,564	385,585	72,069	62,465
Derivative financial instruments	7,710	41,544	2,578	18,966
Cash and cash equivalents	194,429	1,047,586	471,922	694,552
Total Current Assets	610,288	3,288,236	1,783,860	2,038,475
TOTAL ASSETS	2,303,400	12,410,725	10,324,890	10,443,436
SHAREHOLDERS' EQUITY				
Capital and Reserves Attributable to Equity Holders of the Parent				
Share capital	92,161	496,562	496,562	496,562
Treasury stock	928	5,001	5,001	5,001
Inflation adjustment of share capital and treasury stock	12,143	65,425	166,218	166,218
Share premium	143,482	773,079	773,079	773,079
Share warrants	19,722	106,264	106,263	106,263
Cumulative translation adjustment	424	2,284	(81,939)	-

Changes in non-controlling interest	(4,082)	(21,996)	(6,889)	-
Equity-settled compensation	1,549	8,345	1,833	1,012
Legal reserve	8,692	46,835	42,922	32,293
Reserve for new projects	62,558	337,065	389,202	320,064
Special reserve	129,107	695,628	-	-
Retained earnings	(4,922)	(26,522)	666,611	829,207
Equity Attributable to Equity Holders of the Parent	461,762	2,487,970	2,558,863	2,729,699
Non-controlling interest	414,086	2,231,096	2,132,648	2,480,379
TOTAL SHAREHOLDERS' EQUITY	875,848	4,719,066	4,691,511	5,210,078
LIABILITIES				
Non-Current Liabilities				
Trade and other payables	42,366	228,267	168,860	155,726
Borrowings	777,635	4,189,896	2,770,087	2,056,244
Deferred income tax liabilities	98,416	530,263	630,011	769,941
Derivative financial instruments	515	2,773	22,859	-
Payroll and social security liabilities	739	3,984	783	635
Provisions	13,294	71,626	22,553	14,939
Total Non-Current Liabilities	932,965	5,026,809	3,615,153	2,997,485
Current Liabilities				
Trade and other payables	169,209	911,700	596,542	588,311
Income tax liabilities	14,852	80,024	108,190	72,606
Payroll and social security liabilities	22,427	120,835	103,919	81,085
Borrowings	283,480	1,527,390	1,187,082	1,479,803
Derivative financial instruments	1,613	8,691	18,558	8,353
Provisions	3,009	16,210	3,935	5,715
Total Current Liabilities	494,590	2,664,850	2,018,226	2,235,873
TOTAL LIABILITIES	1,427,555	7,691,659	5,633,379	5,233,358
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES	2,303,403	12,410,725	10,324,890	10,443,436

OTHER FINANCIAL DATA	IFRS For the fiscal years ended June 30, 2013 (In U$S, except for percentages, ratios and number of shares)		2013 (In Ps, except for percentages, ratios, number of shares, per share and per ADS data)		2012	
Basic net income per share (2)	(0.05	)	(0.05	)	(0.04	)
Diluted net income per share (3)	(0.05	)	(0.05	)	(0.04	)
Basic net income per ADS (2)(4)	(0.54	)	(0.54	)	(0.43	)
Diluted net income per ADS (3)(4)	(0.54	)	(0.54	)	(0.43	)
Capital stock	93,089		501,563		501,563	
Number of common shares	501,562,730		501,562,730		501,562,534	
Weighted – average number of common shares outstanding	496,561,931		496,561,931		496,561,780	
Diluted weighted – average number of common shares (5)	558,917,099		558,917,099		558,916,948	
Dividends paid (6)	-		-		120	
Dividends per share	-		-		0.242	
Dividends per ADS (4)	-		-		2.42	
Depreciation and amortization	51,919		279,738		233,137	
Gross margin (7)	29.6	%	29.6	%	30.9	%
Operating margin (8)	25.1	%	25.1	%	18.2	%
Net margin (9)	3.5	%	3.5	%	1.6	%
Ratio of current assets to current liabilities (10)	1.23		1.23		0.88	
Ratio of shareholders' equity to total liabilities (11)	0.61		0.61		0.83	
Ratio of non-current assets to total assets (12)	0.74		0.74		0.83	
Ratio of "Return on Equity" – ROE (13)	0.03		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, 2013 which was Ps.5.388 = 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 year 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 2012 approved the distribution of a cash dividend for an amount of Ps.120 million for the fiscal year ended June 30, 2012.
(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.

Exchange Rates

In April 1991, Argentine law established a fixed exchange rate which statutorily obligated the Central Bank to sell U.S. dollars to any individual at a fixed exchange rate of Ps.1.00 per US$1.00. On January 7, 2002, the Argentine congress enacted Law No. 25.561 (the "Public Emergency Law"), abandoning over ten years of fixed Peso-U.S. dollar parity at Ps.1.00 per US$1.00. After devaluing the Peso and setting the official exchange rate at Ps.1.40 per US$1.00, on February 11, 2002, the government allowed the Peso to float. The shortage of U.S. dollars and their heightened demand caused the Peso to depreciate significantly in the first half of 2002. As of October 24, 2013 the exchange rate was Ps. 5.8700= US$1.00 as quoted by Banco de la Nación Argentina at the U.S. dollar selling rate. During 2010, 2011, 2012 and the first semester of 2013, the Central Bank of Argentina indirectly affected the exchange rate market, through active participation with the purpose of isolating external effects and maintaining a stable parity.

The following table presents the high, low, average and period closing exchange rate for the average ask / bid of U.S. dollars stated in nominal Pesos per U.S. dollar.

	Exchange Rate			
	High(1)	Low(2)	Average(3)	Period Closing(4)
Fiscal year ended June 30, 2009	3.7780	2.9940	3.3862	3.7770
Fiscal year ended June 30, 2010	3.9130	3.6360	3.8255	3.9110
Fiscal year ended June 30, 2011	4.0900	3.9110	3.9810	4.0900
Fiscal year ended June 30, 2012	4.5070	4.0900	4.2808	4.5070
Fiscal year ended June 30, 2013	5.3680	4.5050	4.8914	5.3680
July, 2013	5.4850	5.3700	5.4218	5.4850
August, 2013	5.6520	5.4910	5.5625	5.6520
September, 2013	5.7730	5.6660	5.7173	5.7730
As of October 24, 2013	5.8500	5.7800	5.8152	5.8500

Source: Banco de la Nación Argentina

(1) The high exchange rate stated was the highest closing exchange rate of the month during the fiscal year.
(2) The low exchange rate stated was the lowest closing exchange rate of the month during the fiscal year.
(3) Average exchange rate for the fiscal year, month or partial period described in the table above.
(4) Average of the selling rate and buying rate.

Fluctuations in the Peso-dollar exchange rate may affect the equivalent in dollars of the price in Pesos of our shares on the Buenos Aires Stock Exchange. Increases in Argentine inflation or devaluation of the Argentine currency could have a material adverse effect on our operating results.

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 consider the following risks described below, in addition to the other information contained in this annual report. We may face additional risks and uncertainties that are not presently known to us, or that we currently deem immaterial, which may also impair our business. In general, you take more risk when you invest in the securities of issuers in emerging markets such as Argentina than when you invest in the securities of issuers in the United States. You should understand that an investment in our common shares and ADSs involves a high degree of risk, including the possibility of loss of your entire investment.

Risks Related to Argentina

Argentina's growth may not be sustainable.

The Argentine economy has experienced significant volatility in recent decades, characterized by periods of low or negative growth, high inflation and currency devaluation. During 2001 and 2002, Argentina experienced a period of severe political, economic and social crisis, which caused a significant economic contraction and led to radical changes in government policies. Although the economy has recovered significantly since then, uncertainty remains as to whether the recent growth is sustainable, since it has depended, to a significant extent, on favorable exchange rates, high commodity prices and excess production capacity. The recovery, however, has resulted in inflation and has intensified the country's need for capital investment, with many sectors, particularly the energy sector, operating near full capacity. Additionally, the global financial crisis and economic downturn of 2008 has had a significant adverse impact on the country's performance and could remain a factor in the foreseeable future.

In 2012, the Argentine GDP increased 2.1%, according to data published by the National Institute of Statistics ("Instituto Nacional de Estadísticas y Censos" or the "INDEC"). For the six months ended June 30, 2013, GDP increased 7.3% relative to the same period the prior year, according to data published by the INDEC. As of June 30, 2013, the Monthly Economic Activity Estimator ("Estimador Mensual de Actividad Económica" or the "EMAE") increased 5.7%, relative to the same period the prior year, according to data published by the INDEC.

The economic and financial slowdown in certain European countries, the United States, and certain other important commercial partners of Argentina, may imply a decline in the international demand for Argentine products, which could have a material adverse effect on our financial condition and the results of operations. Moreover, the country’s relative stability since 2002 has been affected by increased political tension and government intervention in the economy.

Our business depends to a significant extent on macroeconomic and political conditions in Argentina. We cannot assure you that Argentina’s recent growth will continue. Deterioration of the country’s economy would likely have a significant adverse effect on our business, financial condition and results of operations.

Continuing inflation may have an adverse effect on the economy.

The devaluation of the Peso since January 2002 has created pressures on the domestic price system that generated high inflation throughout 2002, before inflation substantially stabilized in 2003. In the fiscal years 2009, 2010, 2011, 2012 and 2013, inflation according to the INDEC was 8.5%, 11.0%, 9.7%, 9.9% and 10.5% respectively, in part due to actions implemented by the Argentine government to control inflation, including limitations on exports and price arrangements agreed upon with private companies. The uncertainty surrounding future inflation may impact the country’s growth.

In the past, inflation has undermined the Argentine economy and the government’s ability to create conditions conducive to growth. A return to a high inflation environment would adversely affect the availability of long-term credit and the real estate market and may also affect Argentina’s foreign competitiveness by diluting the effects of the Peso devaluation and negatively impacting the level of economic activity and employment.

Additionally, high inflation would also undermine Argentina’s foreign competitiveness and adversely affect economic activity, employment, real salaries, consumption and interest rates. In addition, the dilution of the positive effects of the Peso devaluation on the export-oriented sectors of the Argentine economy will decrease the level of economic activity in the country. In turn, a portion of the Argentine debt is adjusted by the Coefciente de Estabilización de Referencia, (“CER Index”, per its aconym in spanish), a currency index that is strongly tied to inflation. Therefore, any significant increase in inflation would cause an increase in Argentina’s debt and, consequently, the country`s financial obligation.

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

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

In January 2007, the INDEC modified its methodology used to calculate the consumer price index, which is calculated as the monthly average of a weighted basket of consumer goods and services that reflects the pattern of consumption of Argentine households. Several economists, as well as the international and Argentine press, have suggested that this change in methodology was related to the policy of the Argentine government intended to curb the increase of inflation and consequently reduce payments on the outstanding inflation-linked bonds issued by Argentina. At the time that the INDEC adopted this change in methodology the Argentine government also replaced several key officers at the INDEC, prompting complaints of governmental interference from the technical staff at the INDEC. In addition, the International Monetary Fund (“IMF”) requested to clarify its inflation rates several times.

In June 2008, the INDEC published a new consumer price index which eliminated nearly half of the items included in previous surveys and introduced adjustable weightings for several items as fruits, vegetables and clothing, which have seasonal cost variations. The INDEC has indicated that it based its evaluation of spending habits on a national household consumption survey from 2004 to 2005, in addition to other sources.

The aforementioned 2008 consumer price index has been criticized by economists and investors after its debut report found prices rising well below expectations. These events have negatively affected the credibility of the consumer price index published by the INDEC, as well as other indexes published by the INDEC which require the consumer price index for their own calculation, including the poverty index, the unemployment index and real gross domestic product index. Argentina's inflation rate may be significantly higher than the rates indicated by official reports.

In December 2010, the Argentine government agreed to meet with an official IMF team which arrived in Argentina to assist the INDEC with the development of a new national price index. In April 2011, the IMF team completed the second technical mission to assist on the design and methodology of a new national price index. As of the date of this annual report, the Argentine government has informed to the IMF that a new nationwide consumer price index will be applied in the foreseeable future, furthermore the Argentine government has stated that the new figures from the new consumer price may be differ with the consumer price now emplaced; in that sense all Argentine provinces have already signed an agreement to enter into the aforementioned new consumer price index, which will be submitted to the IMF during November 2013.

Any required correction or restatement of the INDEC indexes could result in a significant decrease in the confidence in Argentina´s economy, which could, in turn, have a material adverse effect on our ability to access to the international capital markets to finance our operations and growth, which, in turn, adversely aeffect our results of operations and financial conditions and cause the market value of our ADSs to decline.

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

In 2005, Argentina restructured part of its sovereign debt that had been in default since the end of 2001. As a result of the restructuring the Argentine government announced that it had approximately US$ 129.2 billion in total gross public debt as of December 31, 2005. Certain bondholders that did not participate in that restructuring, mainly from the United States, Italy and Germany, filed legal actions against Argentina to collect on the defaulted bonds. Many of these proceedings are still pending as of this date and holdout creditors may initiate new suits in the future.

In September 2008, Argentina announced its intention to cancel its external public debt to Paris Club creditor nations using reserves of the Central Bank in an amount equal to approximately US$ 6.5 billion. However, as of the date of this Annual Report, the National Government has not yet cancelled such debt. If no agreement with the Paris Club creditor nations is reached, financing from multilateral credit institutions may be limited or not available.

In addition, foreign shareholders of several Argentine companies have filed claims before the International Center for the Settlement of Investment Disputes ("ICSID") alleging that certain government measures adopted during the country's 2001 crisis were inconsistent with the fair and equitable treatment standards set forth in various bilateral investment treaties to which Argentina is a party. Since May 2005, the ICSID tribunals have issued several awards against Argentina. Only the cases “CMS v. Argentina”, “Azurix v. Argentina” and “Vivendi v. Argentina” are currently final. This decisions required the Argentine government to pay US$ 133.2 million, US$ 165.2 million and US$ 105 million, respectively. During the month of October 2013, the Argentinean Government has announced that has arrived to an agreement to settle the aforementioned claims against Argentina, in a settlement agreement which establishes a 25% nominal haircut, and the investment in newly sovereign bonds of Argentina to be issued, among other conditions.

On April 30, 2010, Argentina launched a new debt exchange to holders of the securities issued in the 2005 debt exchange and to holders of the securities that were eligible to participate in the 2005 debt exchange (other than brady bonds) to exchange such debt for new securities and, in certain cases, a cash payment. As a result of the 2005 and 2010 exchange offers, Argentina restructured over 91% of the defaulted debt eligible for the 2005 and 2010 exchange offers. The creditors who did not participate in the 2005 or 2010 exchange offers may continue their pursuit of a legal action against Argentina for the recovery of debt, which could adversely affect Argentina’s access to the international capital markets.

Argentina’s past default and its failure to restructure completely its remaining sovereign debt and fully negotiate with the holdout creditors may limit Argentina’s ability to reenter the international capital markets. Litigation initiated by holdout creditors as well as ICSID claims have resulted and may continue to result in judgments and awards against the Argentine government which, if not paid, could prevent Argentina from obtaining credit from multilateral organizations. Judgment creditors have sought and may continue to seek to attach or enjoin assets of Argentina. In addition, various creditors have organized themselves into associations to engage in lobbying and public relations concerning Argentina’s default on its public indebtedness. Such groups have over the years unsuccessfully urged passage of federal and New York state legislation directed at Argentina’s defaulted debt and aimed at limiting Argentina’s access to the U.S. capital markets. Although neither the United States Congress nor the New York state legislature has taken any significant steps towards adopting such legislation, we can make no assurance that the enactment of a new legislation or other political actions designed to limit Argentina’s access to capital markets will not take effect.

Furthermore, in April 2010, a Court of New York granted an attachment over reserves of the Argentine Central Bank in the United States requested by creditors of Argentina on the theory that the Central Bank was its alter ego. On July 2011, an appeals court reversed that ruling, stating that the assets of the Central Bank were protected by law. Plaintiffs have petitioned the United States Supreme Court to review the appeals court decision and, as of the date of this annual report, the United States Supreme Court has turned down a petition by Argentina to reconsider a lower-court order requiring it to pay creditors upwards of $1.4 billion. In August, 2013 the U.S. 2nd Circuit Court of Appeals in New York ruled against Argentina in a separate issue in the same dispute. At the time, however, it put a stay on any action until the Supreme Court decided whether to hear the nation’s previously submitted petition; meanwhile, Argentina has appealed the August circuit-court ruling, and if that is rejected, the country could file a separate request to the Supreme Court.

As a result of Argentina’s default and the events that have followed it, the Argentine government may not have the financial resources necessary to implement reforms and foster economic growth, which, in turn, could have a material adverse effect on the country’s economy and, consequently, our businesses and results of operations. Furthermore, Argentina’s inability to obtain credit in international markets could have a direct impact on our own ability to access international credit markets to finance our operations and growth, which could adversely affect our results of operations and financial condition.

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

The devaluation of the Peso has had a negative impact on the ability of Argentine businesses to honor their foreign currency-denominated debt, initially led to very high inflation, significantly reduced real wages, had a negative impact on businesses whose success is dependent on domestic market demand, such as utilities and the financial industry, and adversely affected the government's ability to honor its foreign debt obligations. If the Peso devalues significantly, all of the negative effects on the Argentine economy related to such devaluation could recur, with adverse consequences on our business. Moreover, it would likely result in a decline in the value of our common shares and the ADSs as measured in U.S. dollars.

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 November 2008, the Argentine Government enacted Law No. 26,425 which provided for the nationalization of the Administradoras de Fondos de Jubilaciones y Pensiones (the "AFJPs") (See "The nationalization of Argentina's pension funds has materially and adversely affected local capital markets"). More recently, the Argentine Government, has promoted a model of increase state participation in the economy through welfare programs, exchange and price control and the promotion of state owned companies. 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, among others, 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 shares and ADSs.

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 have experienced significant pressure from their employees and labor organizations to increase wages and to provide additional employee benefits. Due to the high levels of inflation, the employees and labor organizations have begun again demanding significant wage increases. It is possible that the Argentine government could adopt measures mandating salary increases and/or the provision of additional employee benefits in the future. Any such measures could have a material and adverse effect on our business, results of operations and financial condition.

The nationalization of Argentina's pension funds has materially and adversely affected local capital markets.

Under Law No. 26,425, which was published in the Official Gazette in December 2008, the Argentine government transferred approximately Ps.94.4 billion (US$29.3 billion) in assets held by the country's private Administradoras de Fondos de Jubilaciones y Pensiones ("AFJPs" per its Spanish acronym) to the social security agency ("ANSES") managed by the National State.

Law No. 26,425 was supplemented, among others, by Decree No. 2103/2008 which describes the composition of the fund (Fondo de Garantia de Sustentabilidad) to be managed by ANSES and the directions for the management thereof; in turn, Decree No. 2104/08 regulates the matters concerning the transfer to the Argentine government of the contributions and all the documentation of the members of the capitalization regime retroactive as of December 1, 2008.

AFJPs were the largest participants in the country's local capital markets, leading the group of institutional investors. With the nationalization of their assets, the dynamics of the local capital markets changed due to the decrease in their number, becoming a concentrated group. In addition, the government became a significant shareholder in many of the country's publicly-held companies. Pursuant to current regulations, ANSES may exercise the voting rights corresponding to its respective shares, which could eventually result in uncertain consequences.

The nationalization of the AFJP has adversely affected investors' confidence in Argentina, which may impact our ability to undertake access to the capital market in the future.

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

In 2001 and 2002, Argentina imposed exchange controls and transfer restrictions substantially limiting the ability of companies to retain foreign currency or make payments abroad. On June 2005, the government issued decree No. 616/2005, which established additional controls on capital inflow, including the requirement that, subject to limited exemptions, 30% of all funds remitted to Argentina remain deposited in a domestic financial institution for one year without earning any interest. On October 2011, new exchange controls measures that restrict foreign exchange inflows and outflows of capital have been implemented, among them it was established as a requirement for the repatriation of the direct investment of the non-resident (purchase of shares of local companies and real estate), the demonstration of the income of the currency and its settlement in the single free exchange market "Mercado Único y Libre de Cambios". This measure increases the cost of obtaining foreign funds and limits access to such financing.

The Argentine government may, in the future, impose additional controls on the foreign exchange market and on capital flows from and into Argentina, in response to capital flight or depreciation of the Peso. These restrictions may have a negative effect on the economy and on our business if imposed in an economic environment where access to local capital is constrained. For more information, please see Item 10 "Additional Information D. Exchange Controls".

Rural Land Law

On December 22, 2011, the Argentinean Congress passed a new 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 to the domain of rural land by foreign individuals or legal entities ("Foreign Persons"), setting a maximum allowable percentage of ownership for foreigners of 20% in the rural areas of Argentina. 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 on, any foreign person may only own more than 1,000 hectares 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 fall 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 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 owned by foreign individuals or legal entities. Additionally, provinces should report the complete list of foreign companies registered at their jurisdiction. 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.

Payment of dividends to non-residents has been limited in the past and may be limited again.

Beginning in February 2002, the payment of dividends, irrespective of amount, outside Argentina required prior authorization from the Central Bank. 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. If similar restrictions are enacted by the Argentine government or the Central Bank in the future, it could have an adverse effect on our business. Even though, there is no legal restriction currently in effect in connection with the payment of dividends abroad, there has been some delays to access to the “Mercado Único y Libre de Cambios” in order to purchase foreign currency under this concept.

Property values in Argentina could decline significantly.

Property values are influenced by multiple factors that are beyond our control. We cannot assure you that property values will increase. Many 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.

The stability of the Argentine banking system is uncertain.

During 2001 and the first half of 2002, a significant amount of deposits were withdrawn from Argentine financial institutions largely due to the loss of confidence of depositors in the Argentine government's ability to repay its debts, including its debts within the financial system, and to maintain Peso-U.S. dollar parity in the context of its solvency crisis.

While the condition of the financial system has improved, adverse economic developments, even if not related to or attributable to the financial system, could result in deposits flowing out of the banks and into the foreign exchange market, as depositors seek to shield their financial assets from a new crisis. Any run on deposits could create liquidity or even solvency problems for financial institutions, resulting in a contraction of available credit.

In the event of a future shock, such as the failure of one or more banks or a crisis in depositor confidence, the Argentine government could impose further exchange controls or transfer restrictions and take other measures that could lead to renewed political and social tensions and undermine the Argentine government's public finances, which could adversely affect Argentina's economy and prospects for economic growth which could adversely affect our business.

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

Financial and securities markets in Argentina are influenced, to varying degrees, by economic and market conditions in other global markets. 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, including. Lower capital inflows and declining securities prices negatively affect the real economy of a country through higher interest rates or currency volatility. The Argentine economy economy remains vulnerable to external shocks, including those related or similar to the global economic crisis that began in 2008 and the recent uncertainties surrounding European sovereign debt. For example, the recent challenges faced by the European Union to stabilize certain of its member economies, such as Greece, Ireland, Italy, Portugal and Spain, have had international implications affecting the stability of global financial markets, which has hindered economies worldwide. Should measures taken by the European Union be insufficient to restore confidence and stability to the financial markets, any recovery of the global economy, including the U.S. and European Union economies, could be hindered or reversed, which could negatively affect the Argentine economy, and in turn our business and results of operations.

In addition, Argentina is also affected by the economic conditions of major trade partners, such as Brazil and/or countries that have influence over world economic cycles, such as the United States and China; if developing countries, such as Brazil and China, which are also Argentina's trade partners, fall into a recession the Argentine economy would be affected by a decrease in exports. All of these factors would have a negative impact on us, our business, operations, financial condition and prospects.

The impact of the aforementioned situations on Argentina could imply in a reduction in the exports and foreign direct investment, and a decline in the national tax revenues and the inability to access to the international capital markets, which could adversely affect our business and results of our operations.

If prices for Argentina's main commodity exports decline, such decline could have an adverse effect on Argentina's economic growth and on our business.

Argentina's economy has historically relied on the export of commodities, the prices of which have been volatile in the past and largely outside its control. High commodity prices have contributed significantly to government revenues from taxes on exports. Fluctuations in prices for commodities exported by Argentina and a significant increase in the value of the Peso (in real terms) may reduce Argentina's competitiveness and significantly affect the country's exports. A decrease in exports could affect Argentina's economy, have a material adverse effect on public finances due to a loss of tax revenues cause an imbalance in the country's exchange market which, in turn, could lead to increased volatility with respect to the exchange rate. In addition, and more importantly in the short term, a significant appreciation of the Peso could materially reduce the Argentine government's revenues in real terms and affect its ability to make payments on its debt obligations, as these revenues are heavily derived from export taxes (withholdings). This could worsen the financial condition of the Argentine public sector, which could adversely affect the Argentine economy, as well as our financial condition and operating results.

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 gas and electricity tariffs in Argentina, there has been a lack of investment in gas and electricity supply and transport capacity in Argentina in recent years. At the same time, demand for natural gas and electricity has increased substantially, driven by a recovery in economic conditions and price constraints, which has prompted the government to adopt a series of measures that have resulted in industry shortages and/or costs increase.

The federal 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 and transportation capacity and energy generation and transportation capacity 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 are being withdrawn to industries and high income consumers. As a result, our operating costs may increase.

Risks Relating to Brazil

The Brazilian government has exercised and continues to exercise influence over the Brazilian economy, which together with Brazil's historically volatile political and economic conditions could adversely affect our financial condition and results of operations.

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

Historically, the Brazilian government has changed monetary, credit, tariff, and other policies to influence the course of Brazil's economy. Such government actions have included increases in interest rates, changes in tax policies, price controls, currency devaluations, as well as other measures such as imposing exchange controls and limits on imports and exports.

Our operations in Brazil may be adversely affected by changes in public policy at federal, state and municipal levels with respect to public tariffs and exchange controls, as well as other factors, such as:

- fluctuation in exchange rates in Brazil;
- monetary policy;
- exchange controls and restrictions on remittances outside Brazil, such as those which were imposed on such remittances (including dividends) in 1989 and early 1990;
- inflation in Brazil;
- interest rates;
- liquidity of the Brazilian financial, capital and lending markets;
- fiscal policy and tax regime in Brazil; and
- other political, social and economic developments in or affecting Brazil.

Actions of the Brazilian government in the future could have a significant effect on economic conditions in Brazil, which could adversely affect private sector companies such as our subsidiary Brasilagro, and thus, could adversely affect us.

Although inflation in Brazil has stabilized in the past years, an increase in inflation could adversely affect the operations of Brasilagro which could adversely impact our financial condition and results of operations.

Brazil has experienced high and generally unpredictable rates of inflation in the past. Inflation itself, as well as governmental policies to combat inflation, has had significant negative effects on the Brazilian economy in general. Inflation, government efforts to control inflation and public speculation about future governmental actions have had, and can be expected to continue to have, significant impact on the Brazilian economy and on our operations in Brazil. As measured by the Brazilian Índice Nacional de Preços ao Consumidor (National Consumer Price Index), or INPC, inflation in Brazil was 6.5%, 4.1%, 6.5%, 6,1% and 6.2% in 2008, 2009, 2010, 2011 and 2012, respectively. For the six month period ended June 30, 2013 the inflation in Brazil was 3.3%. We cannot assure you that levels of inflation in Brazil will not increase in future years having a material adverse effect on our business, on the financial condition or, the results of operations. Inflationary pressures may lead to government intervention in the economy, including the introduction of government policies that could adversely affect the results of operations of Brasilagro.

The Brazilian real is subject to depreciation and exchange rate volatility which could adversely affect 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 2008, 2009, 2010, 2011 and 2012 the real appreciated (30.1%), 24.9% , 4.6%, (13.3%) and (9.63%), respectively, against the U.S. dollar. In the six months ended June 30, 2013, the real depreciated 9.09% against the U.S. dollar. 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.

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.

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, or the Brazilian Central Bank. We registered our investment in Brasilagro with the Brazilian Central Bank on April 28, 2006. Although dividend payments related to profits obtained subsequent to April 28, 2006 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 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. Property disputes over title ownership 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, 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 our properties will not be subject to invasion or occupation by these groups. A land invasion or occupation could materially impair the normal use of our lands or have a material adverse effect on us or the value of our common shares or ADRs.

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

One of the principal disadvantages of the agriculture industry in some of the regions where we operate is that they are located a long distance from major ports in some cases, nearly 1,500 kilometers. Efficient access to transportation infrastructure and ports is critical to the profitability in the agricultural industry. Furthermore, 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 international producers. As a result, we may be unable to obtain efficient transportation to make our production reach our most important markets in a cost-effective manner, if at all, which 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 made investments in farmland in Argentina, Brazil, Paraguay and Bolivia and we may possibly make investments in other countries in and outside Latin America. Because demand for livestock and agricultural products usually is 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 financial resources necessary to implement reforms and foster growth. Any of these adverse economic conditions could have a material adverse effect on our business.

In the past year, the world’s economy experienced the effects of the crisis that unfolded in mid-2008 as a result of the disruption of the United States’ subprime mortgage market. Though there has been some recovery, an interruption of such recovery may have an impact on the economic conditions difficult to predict. Triggering a less favorable or an unfavorable international environment for the countries where we operate or intend to operate, forcing domestic policy adjustments, which could cause adverse economic conditions and adversely affect 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. Economic and political developments in the countries in which we operate, including future economic changes or crises (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 country alone will not adversely affect our business or the market value of, or market for, our common shares and/or our 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 countries in Latin America 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 have historically experienced high rates of inflation. 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 of the countries where we operate or intend to operate. Such movements advocate land reform and mandatory property redistribution by governments. 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 our properties will not be subject to invasion or occupation by these groups. A land invasion or occupation could materially impair the normal use of our lands or have a material adverse effect on us or the value of our common shares and/or 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 and you should understand that we may invest in countries other than Argentina and Brazil including countries in other emerging markets outside Latin America such as 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 grains and by-products decline.

Unpredictable weather conditions may have an adverse impact on our crop and beef 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 beef 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 2013/2014 season are expected to be slightly better than in the previous cycle. They forecast not only an increase in the sown area in the case of soybean and wheat (corn shows a slightly fall due to higher costs), but a general increase in the expected yields in comparison with the previous campaign. The estimated production of soybean is supposed to reach 53.5 million tons, the wheat production 12 million tons and the corn production 27 million tons.

However, we cannot assure you that the present and future severe adverse weather conditions will not adversely affect our operating results and financial condition.

Disease 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 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 beef cattle are subject to diseases.

Diseases among our beef 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 beef cattle diseases may also result in the closure of certain important markets, such as the United States, to our beef 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 beef cattle diseases will not occur. A future outbreak of diseases among our beef cattle herds may adversely affect our beef 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.

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 35/02, 160/2002, 307/2002 and 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 beef 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 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 House of Representatives 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.

Export taxes might have a material and adverse effect on our sales. 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.

The 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 international credit crisis 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 our 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 of 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 our plastic silos 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 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.

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

Though our beef cattle sales are diversified, 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. In the fiscal year 2013, we sold our products to approximately 400 customers. Sales of agricultural products to our ten largest customers represented approximately 77% of our net sales for the fiscal year ended June 30, 2013. Our biggest three customers are Bunge

Alimentos S.A., Green Ethanol and Molinos Río de la Plata S.A., represented, in the aggregate, approximately 41% of our net sales in agricultural products, while the remaining seven customers in the aggregate represented approximately 59% of our net sales in the fiscal year 2013.

In addition, we currently sell our entire raw milk production to one customer in Argentina, Mastellone Hnos. S.A. For the year ended June 30, 2013, these sales represented approximately 3.4% of our agricultural business revenues. There can be no assurance that this customer will continue to purchase our entire raw milk production or that, if it fails to do so, we could enter into satisfactory sale arrangements with new purchasers in the future.

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 that 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 in nature. 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 beef 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 might 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 restrict their ability to pay dividends or proceed with other types of distributions. If our subsidiaries are prevented from making payments to our company or if they are only allowed to pay limited amounts, we will 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, 2013, Mr. Eduardo S. Elsztain, was the beneficial owner of 39.30% (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 Eduardo Elsztain and 15% owned by Saúl Zang, the first vice-chairman of our board of directors. 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, 2013 Mr. Elsztain was the beneficial owner, due to his indirect shareholding through us of 66.1% of the common shares of IRSA Inversiones y Representaciones Sociedad Anónima ("IRSA"), an Argentine company that currently owns approximately 95.7% of the common shares of its subsidiary Alto Palermo Sociedad Anónima (APSA) ("Alto Palermo" or "APSA") whose chief executive officer is Mr. Alejandro G. Elsztain, Mr. Eduardo Elsztain's brother and our chief executive officer. 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 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 commercial and residential properties, 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. Besides, 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.

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, 2013, we owned 39.64% of the outstanding common shares of Brasilagro.

We may be 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, 2013, we owned land reserves extending over more than 357,505 hectares that were purchased at very attractive prices. In addition, we have a concession over 112,747 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 Eduardo S. Elsztain, our president and chairman of the board of directors, and Alejandro G. Elsztain, our chief executive officer. 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 of such Act, 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 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 Commission would issue such an order.

In recent years we made a significant minority investment in the capital stock of IRSA, an Argentine company engaged in a range of real estate activities. As of June 30, 2013, we owned approximately 65.45% 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 United States capital markets have historically been an important source of funding for us, and our future financing ability may be adversely affected by a lack of access to the United States capital 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 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, corporate debt, 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:

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

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 their real estate assets, and consequently the value of the securities issued by them, are subject to the risk that if IRSA's properties do not generate sufficient revenues to meet its operating expenses, including debt service and capital expenditures, their ability to pay distributions to their shareholders and our cash flow will be adversely affected. Events or conditions beyond IRSA's control that may adversely affect its operations or the value of its properties include:

- downturns in the national, regional and local economic climate;
- volatility and decline in discretionary spending;
- competition from other shopping centers and office, industrial and commercial buildings;
- local real estate market conditions, such as oversupply or reduction in demand for office, or other commercial or industrial space;

- decreases in consumption levels;
- changes in interest rates and availability of financing;
- the exercise by IRSA's tenants of its legal right to early termination of its leases;
- vacancies, changes in market rental rates and the need to periodically repair, renovate and re-lease space;
- increased operating costs, including insurance expense, salary increases, utilities, real estate taxes, state and local taxes and heightened security costs;
- civil disturbances, earthquakes and other natural disasters, or terrorist acts or acts of war which may result in uninsured or underinsured losses;
- significant expenditures associated with each investment, such as debt service payments, real estate taxes, insurance and maintenance costs which are generally not reduced when circumstances cause a reduction in revenues from a property;
- declines in the financial condition of its tenants and its ability to collect rents from its tenants;
- changes in its ability or its tenants' ability to provide for adequate maintenance and insurance, possibly decreasing the useful life of and revenue from property; and
- changes in law or governmental regulations (such as those governing usage, zoning and real property taxes) or government action such as expropriation or confiscation.

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.

IRSA's investment in property development, redevelopment and construction may be less profitable than we anticipate.

IRSA is engaged in the development and construction of office space, retail and residential properties, shopping centers and residential apartment complexes, frequently through third-party contractors. Risks associated with our development, re-development and construction activities include the following, among others:

- abandonment of development opportunities and renovation proposals;
- 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;
- occupancy rates and rents at newly completed properties may fluctuate depending on a number of factors, including market and economic conditions, resulting in lower than projected rental rates and a corresponding lower return on our investment;
- pre-construction buyers may default on its purchase contracts or units in new buildings may remain unsold upon completion of construction;
- the unavailability of favorable financing alternatives in the private and public debt markets;
-

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

- construction and lease-up may not be completed on schedule, resulting in increased debt service expense and construction costs;
- impossibility to obtain, delays in obtaining, necessary zoning, land-use, building, occupancy and other required governmental permits and authorizations, or building moratoria and anti-growth legislation;
- significant time lags between the commencement and completion of projects subjects IRSA to greater risks due to fluctuation in the general economy;
- construction may not be completed on schedule because of a number of factors, including weather, labor disruptions, construction delays or delays in receipt of zoning or other regulatory approvals, or man-made or natural disasters (such as fires, hurricanes, earthquakes or floods), resulting in increased debt service expense and construction costs;

- general changes in IRSA's tenants' demand for rental properties outside
- of the city of Buenos Aires; and
  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 court rulings 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, IRSA is nevertheless subject to risks associated with the construction of properties, such as cost overruns, design changes and timing delays arising from a lack of availability of materials and labor, weather conditions and other factors outside of 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.

The real estate industry in Argentina is increasingly competitive.

IRSA's real estate and construction activities are highly concentrated in the Buenos Aires metropolitan area, where the real estate market is highly competitive due to the 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. 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 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.

In addition, many of IRSA's shopping centers are located in close proximity to other shopping centers, numerous retail stores and residential properties. The number of comparable properties located in the vicinity of its property could have a material adverse effect on its ability to lease retail space at its shopping centers or sell units in its residential complexes and on the rent price 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. As additional companies become active in the Argentine shopping center market, such increased competition could have a material adverse effect on IRSA's results of operations.

IRSA faces risks associated with property acquisitions.

IRSA has in the past acquired, and intends to acquire, properties, including large properties (such as the acquisition of Edificio República, Abasto de Buenos Aires, or Alto Palermo Shopping) that would increase its size and potentially alter its capital structure. The success of their past and future acquisitions is subject to a number of uncertainties, including the risk that:

- IRSA may not be able to obtain financing for acquisitions on favorable terms;
- acquired properties may fail to perform as expected;
- the actual costs of repositioning or redeveloping acquired properties may be higher than its estimates;
- acquired properties may be located in new markets where it 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; and
- IRSA may not be able to efficiently integrate acquired properties, particularly portfolios of properties, into its organization and to manage new properties in a way that allows it to realize cost savings and synergies.

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. 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.

Acquired properties may subject IRSA to unknown liabilities.

Properties that IRSA acquires may be subject to unknown liabilities for which it would have no recourse, or only limited recourse, to the former owners of such properties. As a result, 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:

- liabilities for clean-up of undisclosed environmental contamination;

- law reforms and governmental regulations (such as those governing usage, zoning and real property taxes); and
- liabilities incurred in the ordinary course of business.

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 of 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. Should an uninsured 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. Moreover, IRSA does not purchase life or disability insurance for any of our key employees. If any of its key employees were to die or become incapacitated, it would 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.

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

The 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 if a significant number of its tenants or any of its major tenants (as discussed in more detail below):

- delay lease commencements;
- decline to extend or renew leases upon expiration;
- fail to make rental payments when due; or
- close stores or declare bankruptcy.

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

Demand for IRSA's premium properties which target the high-income demographic may be insufficient.

IRSA has focused on development projects intended to cater to affluent individuals and has entered into property swap agreements pursuant to which IRSA contributes its undeveloped properties to ventures with developers who will deliver to its units in 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 in the time frame it estimated, which could have a material adverse effect on its financial condition and results of operations.

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

Real estate investments are relatively illiquid and this tends to limit its ability to vary its portfolio promptly in response to changes in the economy or other conditions. In addition, significant expenditures associated with each equity investment, such as mortgage payments, real estate taxes and maintenance costs, are generally not reduced when circumstances cause a decrease in income from a certain investment. If income from a property declines while the related expenses do not decline, IRSA’s business would be adversely affected. Some of its properties are mortgaged to secure payment of its indebtedness, and if IRSA is unable to meet its mortgage payments, it could lose money as a result of foreclosure on such mortgages and even lose such property. In addition, if it becomes necessary or desirable for it to dispose of one or more of the mortgaged properties, IRSA might 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. In the type of transactions of this kind, IRSA may also agree, subject to certain exceptions, not to sell the acquired properties for significant periods of time.

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

The success of IRSA’s business and profitability of its operations are dependent on continued investment in the real estate markets and access to capital and debt financing. A long term crisis of confidence in real estate investments and lack of available credit for acquisitions would be likely to constrain our business growth. As part of our business goals, IRSA intends to increase our properties portfolio with strategic acquisitions of core properties at advantageous prices, and core plus and value added properties where IRSA believes it can bring necessary expertise to enhance property values. In order to pursue acquisitions, IRSA may need access to equity capital and/or debt financing. Recent 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 presents itself in the future, there can be no assurances that government responses to the disruptions in the financial markets will restore investor confidence, stabilize the markets or increase liquidity and the availability of credit.

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 continue to have, substantial liquidity and capital resource requirements to finance its business. As of June 30, 2013, IRSA's consolidated financial debt was Ps. 3,695 million (including short-term and long-term debt, accrued interest and deferred financing costs).

Although IRSA is generating sufficient funds from operating cash flows to satisfy its debt service requirements and its capacity to obtain new financing is adequate given the current availability of credit lines with the banks, IRSA cannot assure you that it will maintain such cash flow and adequate financial capacity in the future.

The fact that we are leveraged may affect our ability to refinance existing debt or borrow additional funds to finance working capital, acquisitions and capital expenditures. In addition, the recent disruptions in the global financial markets, including the bankruptcy and restructuring of major financial institutions, may adversely impact our ability to refinance existing debt and the availability and cost of credit in the future. In such conditions, access to equity and debt financing options may be restricted and it may be uncertain how long these circumstances 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 react 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 (including the recent international credit crisis) 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.

IRSA may be negatively affected by a financial crisis in the U.S., the European Union and global capital markets.

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.

The capital and credit markets have been experiencing extreme volatility and disruption during the last credit crisis. If IRSA´s current resources do not satisfy IRSA´s liquidity requirements, IRSA 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 IRSA´s 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.

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

In recent years, the credit crisis had a significant negative impact on businesses around the world. The impact of a crisis on IRSA´s major tenants cannot be predicted and may be quite severe. A disruption on the ability of IRSA´s 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 which could have a material adverse effect on IRSA´s results of operations and liquidity.

Adverse incidents that occur in IRSA´s shopping centers may result in damage to IRSA´s image and a decrease in 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 which may be adopted. 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.

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

Shopping centers are subject to various factors that affect their development, administration and profitability. These factors include:

- the accessibility and the attractiveness of the area where the shopping center is located;
- the intrinsic attractiveness of the shopping center;
- the flow of people and the level of sales of each shopping center rental unit;
- increasing competition from internet sales;
- the amount of rent collected from each shopping center rental unit;
- changes in consumer demand and availability of consumer credit, both of which are highly sensitive to general macroeconomic conditions; and
- the fluctuations in occupancy levels in the shopping centers.

An increase in operating costs, caused by inflation or other factors, could have a material adverse effect if IRSA´s tenants are unable to pay higher rent due to the increase in expenses. Moreover, the shopping center business is closely related to consumer spending and to the economy in which customers are located. All of IRSA´s shopping centers are in Argentina, and, as a consequence, their business could be seriously affected by potential 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. If an international financial crisis has a substantial impact on economic activity in Argentina, it will likely have a material adverse effect on the revenues from the shopping center activity.

The loss of significant tenants could adversely affect both the operating revenues and value of IRSA´s shopping center and other rental properties.

If some of IRSA´s most important tenants were to experience financial difficulties, including bankruptcy, insolvency or a general downturn of business, or if IRSA simply failed to retain their patronage, IRSA´s business could be adversely affected. IRSA´s shopping centers and, to a lesser extent,

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IRSA´s office buildings are typically anchored by significant tenants, such as well-known department stores who generate shopping traffic at the mall. A decision by such significant tenants to cease operations at IRSA´s shopping centers or office buildings could have a material adverse effect on the revenues and profitability of the affected segment and, by extension, on IRSA´s financial condition and results of operations. The closing of one or more significant tenants may induce other major tenants at an affected property to terminate their leases, to seek rent relief and/or cease operating their stores or otherwise adversely affect occupancy at the property. In addition, key tenants at one or more properties might terminate their leases as a result of mergers, acquisitions, consolidations, dispositions or bankruptcies in the retail industry. The bankruptcy and/or closure of one or more significant tenants, if IRSA is not able to successfully re-lease the affected space, could have a material adverse effect on both the operating revenues and underlying value of the properties involved.

IRSA´s future acquisitions may be unprofitable.

IRSA intends to acquire additional shopping center properties to the extent that they will be acquired on advantageous terms and meet IRSA´s investment criteria. Acquisitions of commercial properties entail general investment risks associated with any real estate investment, including:

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

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

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

- IRSA´s investigation of a property or building prior to its acquisition, and any representations that 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 IRSA´s acquisition cost.

If IRSA acquires a business, IRSA will be required to integrate the operations, personnel and accounting and information systems of the 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.

IRSA´s ability to grow will be limited if they cannot obtain additional capital.

IRSA´s growth strategy is focused on the 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. IRSA cannot guarantee that additional financing, refinancing or other capital will be available in the amounts IRSA desires or 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 the outcome of these factors, IRSA could experience delay or difficulty in implementing its growth strategy on satisfactory terms, or be unable to implement this strategy.

Serious illnesses and pandemics, such as the 2009 outbreak of Influenza A H1N1 virus, (the "Swine Flu"), have in the past adversely affected consumer and tourist activity, may do so in the future and may adversely affect IRSA´s 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. IRSA cannot assure you that a new outbreak or health hazard 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 IRSA´s businesses.

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

Office buildings are subject to various factors that affect their development, administration and profitability. IRSA´s profitability of its office buildings may be affected by:

- a decrease in demand for office space;
- a deterioration in the financial condition of IRSA´s tenants, which may result in defaults under leases due to bankruptcy, lack of liquidity or for other reasons;
- difficulties or delays renewing leases or re-leasing space;
- decreases in rents as a result of oversupply, particularly of newer buildings;
- competition from developers, owners and operators of office properties and other commercial real estate, including sublease space available from IRSA´s tenants; and
- maintenance, repair and renovation costs incurred to maintain the competitiveness of IRSA´s office buildings.

IRSA are subject to risks affecting the hotel industry.

The full-service segment of the lodging industry in which IRSA´s hotels operate is highly competitive. The operational success of its hotels is highly dependent on its ability to compete in areas such as access, location, quality of accommodations, rates, quality food and beverage facilities and other services and amenities. IRSA´s 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 IRSA´s hotels depends on:

- IRSA´s ability to form successful relationships with international and local operators to run its hotels;
- changes in tourism and travel patterns, including seasonal changes and changes due to pandemic outbreaks, such as the Swine Flu virus or weather phenomenon or other natural events, such as the eruption of the Puyehué volcano in June 2011;
- affluence of tourists, which can be affected by a slowdown in global economy; and

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

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 IRSA´s 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, we could lose all or part of IRSA´s invested capital, and anticipated revenue from, one or more of the properties, which could have a material adverse effect on its operating results and financial condition.

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

IRSA´s activities are subject to federal, state and municipal laws, and to regulations, authorizations and licenses required with respect to construction, zoning, use of the soil, environmental protection and historical patrimony, consumer protection 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 delays or failures to obtain 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.

Argentine Lease Law No. 23,091 imposes restrictions that limit IRSA´s flexibility.

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

- lease agreements may not contain inflation adjustment clauses based on consumer price indexes or wholesale price indexes. Although many of IRSA´s 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 these provisions may not be enforceable and therefore it may be impossible for IRSA to adjust the amounts owed to IRSA under its lease agreements;

- residential leases must comply with a mandatory minimum term of two years and retail leases must comply with a mandatory minimum term of three years except in the case of stands and/or spaces for special exhibitions;

- lease terms may not exceed ten years, except for leases regulated by Law No. 25,248 (which provides that leases containing a purchase option are not subject to term limitations); and

- tenants may rescind commercial and office lease agreements after the initial six-month period.

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

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 the suit is filed to the time of actual eviction.

IRSA usually attempts 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 proceedings, and in such case, they would likely have a material and adverse effect on IRSA´s financial condition and results of operation.

IRSA is subject to great competitive pressure.

IRSA´s principal properties are located in Argentina. There are other shopping centers and numerous smaller retail stores and residential properties within the market area of each of IRSA´s properties. The number of competing properties in a particular area could have a material adverse effect on IRSA´s ability to lease retail space at 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. To date, there have been relatively few companies competing with IRSA´s for shopping center properties. However, 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.

IRSA´s assets are concentrated in the Buenos Aires area.

IRSA´s principal properties are located in the City of Buenos Aires and the Province of Buenos Aires and a substantial portion of its revenues are derived from such properties. For IRSA´s fiscal years ended June 30, 2012 and 2013, approximately 81% and 83% of IRSA´s consolidated revenues were derived from properties in the Buenos Aires metropolitan area including the City of Buenos Aires. Although IRSA owns properties and may acquire or develop additional properties outside Buenos Aires, IRSA expects continued dependence 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.

IRSA faces risks associated with the expansion to other Latin American markets.

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

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

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

In 2009, IRSA has acquired a property in Partido de la Costa, Department of Canelones, Uruguay, near Montevideo, where IRSA plans to develop a real estate housing units and commercial premises.

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 November 18, 1997, IRSA, in connection with the acquisition of its subsidiary Inversora Bolívar S.A. ("Inversora Bolívar"), indirectly acquired 35.2% of the capital stock of Puerto Retiro. Inversora Bolívar purchased such shares of Puerto Retiro from Redona Investments Ltd. N.V. in 1996. In 1999, IRSA, through Inversora Bolívar, increased its interest in Puerto Retiro to 50.0% of its capital stock. On April 18, 2000, Puerto Retiro received notice of a complaint filed by the Argentine government, through the Ministry of Defense, seeking to extend the bankruptcy of Inversora Dársena Norte S.A. ("Indarsa"). Upon filing of the complaint, the bankruptcy court issued an order restraining the ability of Puerto Retiro to dispose of the real property it had purchased in 1993 from Tandanor S.A. ("Tandanor"). Puerto Retiro appealed to the restraining order which was confirmed by the court on December 14, 2000.

In 1991, Indarsa purchased 90% of Tandanor, a formerly government-owned company, which owned a large piece of land near Puerto Madero of approximately 8 hectares, divided into two spaces: 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 outstanding price for its purchase of the stock of Tandanor. 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 the companies or individuals, which, according to its view, acted as a single economic group. In particular, the Argentine government has requested the extension of the bankruptcy to Puerto Retiro, which acquired Planta 1 from Tandanor.

The time for producing evidence in relation to these legal proceeding 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 above-mentioned 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. IRSA cannot give you any assurance that the company 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 the investment in Puerto Retiro, valued at Ps. 44.9 million, as of June 30, 2013, would be lost. As of June 30, 2013, IRSA had not established any reserve with respect to this contingency.

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

IRSA develops and acquires properties in joint ventures with other persons or entities when IRSA believes circumstances warrant the use of such structures. For example, in its Shopping Center segment, as of June 30, 2013, IRSA owned approximately 95.7% of Alto Palermo. Through its subsidiary Alto Palermo, IRSA own 80% of Panamerican Mall S.A., while another 20% is owned by Centro Comercial Panamericano S.A and 50% of Quality Invest S.A.. In IRSA´s Development and Sales of Properties segment, IRSA has ownership of 50% in Puerto Retiro and 50% in Cyrsa S.A. In IRSA´s Hotels segment, IRSA owns 50% of the Llao Llao Hotel, while the other 50% is owned by the Sutton Group. IRSA owns 80% of the Hotel Libertador, Hoteles Sheraton de Argentina S.A. owns 20%. IRSA owns 76.34% of Hotel Intercontinental. In the Financial Operations and Others segment, IRSA owns approximately 29.77% of Banco Hipotecario, while the Argentine government has a controlling interest. Finally, IRSA owns a 49% interest in Metropolitan, 49% in a building located at Madison Avenue in New York and holds voting rights with respect to a 34% interest in Supertel Hospitality Inc.

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 share of joint venture liabilities.

IRSA is dependent on its board of directors and certain other senior managers.

IRSA´s success depends on the continued employment of Eduardo S. Elsztain, its Chief Executive Officer and Chairman of the Board of Directors, and certain members of its board of directors and senior management, who have significant expertise and knowledge of its business and industry. The loss of or interruption in his services for any reason could have a material adverse effect on its business. IRSA´s future success also depends in part upon its ability to attract and retain other highly qualified personnel. IRSA cannot assure you that we will be successful in hiring or retaining qualified personnel. A failure to hire or retain qualified personnel may have a material adverse effect on its financial condition and results of operations.

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

As of June 30, 2013, the majority of IRSA´s liabilities, such as its 7.45%, 8.5% and 11.5% notes due 2014, 2017 and 2020 respectively, Alto Palermo’s Series I Notes are denominated in U.S. dollars, while a significant portion of its revenues and assets as of June 30, 2013, are denominated in Pesos. This currency gap exposes IRSA to a risk of exchange rate volatility, which would negatively affect its financial results if the Dollar were to appreciate against the Peso. Any further depreciation of the Peso against the U.S. dollar will correspondingly increase the amount of its debt in Pesos, with further adverse effects on its results of operation and financial condition and may increase the collection risk of its leases and other receivables from its tenants and mortgage debtors, most of whom have Peso-denominated revenues.

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

During the last years, Internet retail sales have grown significantly in Argentina, even though the market share of Internet sales related to retail sales is still not significant. The Internet enables manufacturers and retailers to sell directly to consumers, diminishing the importance of traditional distribution channels such as retail stores and shopping centers. IRSA believes that its target consumers are increasingly using the Internet, from home, work or elsewhere, to shop electronically for retail goods. IRSA believes that 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

Risks Related to IRSA´s Investment in Banco Hipotecario S.A.

As of June 30, 2013, through IRSA we owned approximately 29.77% of the outstanding capital stock of Banco Hipotecario (without considering treasury shares) which represented 12.45 % of our consolidated assets as of such date. All of Banco Hipotecario S.A.'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.

The Argentine financial system's growth and profits are partially dependent upon changes in long-term funding.

Due to the global economic recession, Argentina's banking industry underwent a significant slow-down, which was reterted in late 2009. Although the extension of credit to the private section rose by late 2009, year-end results exhibited a smaller expansion. Loans to the private sector rose in subsequent years. Despite the recovery in credit extension, the recovery of the long-term credit market (i.e., mortgage and pledge loans) makes progress at a slower pace.

If longer-term financial intermediation did not grow, the ability of financial institutions to generate more profits could be adversely affected. Although deposits with the financial system have risen since 2002, most placements are sight deposits or a short term deposit, which exposes the banks, engaged in long-term credit extension to liquidity risk and intensifies their need to depend on the Argentine Central Bank as a potential liquidity guarantor.

The stability of the financial system depends upon the ability of financial institutions, including Banco Hipotecario S.A. to retain the confidence of depositors.

The measures implemented by the Argentine Government in late 2001 and early 2002, in particular the restrictions imposed on depositors' ability to withdraw money freely from banks and the pesification and restructuring of their deposits, resulted in losses for many depositors and undermined their confidence in the Argentine financial system. Although the financial system has seen a recovery in the amount of deposits since 2002 (measured in Pesos), Banco Hipotecario may not assure that this trend will continue and that the deposit base of the Argentine financial system, including Banco Hipotecario's, will not be negatively affected in the future by adverse economic, social and political events.

If, in the future, depositor confidence weakens and the deposit base contracts, such loss of confidence and contraction of deposits will have a substantial negative impact on the ability of financial institutions, including Banco Hipotecario, to operate as financial intermediaries. If the Banco Hipotecario is not able to act as a financial intermediary and otherwise conduct its business as usual, its ability to honor its debts, might be adversely affected or limited.

Financial institutions' asset quality is exposed to the non-financial public sector's indebtedness.

Financial institutions carry significant portfolios of bonds issued by the Argentine Government and provincial governments as well as loans granted to these governments. To an extent, the value of the assets in the hands of 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 Argentine Government's ability to foster sustainable long-term growth, generate fiscal revenues and cut back on public expenditure.

As of June 30, 2013, the Banco Hipotecario's total exposure to the public sector indebtedness was Ps. 2,042.2 million, that is, 11.8% of the Banco Hipotecario's assets at that date.

Actions for collection as a means of enforcing creditors' rights in Argentina may be limited.

In order to protect the debtors affected by the 2001 economic crisis, starting in 2002 the Argentine Government adopted measures that suspended proceedings to enforce creditors' rights (mortgage foreclosures and bankruptcy petitions) in the event of defaults by debtors.

Although at the date of this Annual Report those measures were no longer in force, Banco Hipotecario cannot assure you that they won't be reinstated in the future, or that the government will not take other measures that limit creditors' rights. Any such measures could have a material adverse effect on the enforceability of creditor's rights.

Consumer protection laws may limit the enforceability of certain of Banco Hipotecario's rights.

Argentine Consumer Protection Law No. 24,240, as supplemented or amended (the "Consumer Protection Law") establishes a number of rules and principles for the defense of consumers' interests. The Consumer Protection Law does not contain specific provisions for its enforcement in relation to financial activities, but it does contain general provisions that may be used as grounds to uphold such enforcement, as it has been previously interpreted in various legal precedents.

Banco Hipotecario may not assure you that the judgments passed by the courts and/or the resolutions handed down by administrative authorities in connection with the measures adopted by Argentina's Secretary of Homeland Trade and other competent authorities will not increase in the future the degree of protection afforded their debtors and other clients or that they will not favor the claims filed by groups or associations of consumers. This could affect the ability of financial institutions, including the Banco Hipotecario's, to freely collect charges, commissions or fees for their services and/or products as well as their amounts, and consequently affect their business and the results of their operations.

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

Certain public and private organizations have initiated class actions against financial institutions in Argentina. The Argentine 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 the 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 Argentine Central Bank and other regulatory authorities. The Argentine Central Bank could impose sanctions to Banco Hipotecario in the event that it breaches any applicable regulation. Similarly, the Argentine Securities Commission, which authorizes securities offerings and regulates the public markets in Argentina, has the authority to impose sanctions to Banco Hipotecario and its board of directors for breaches of corporate governance. The Financial Information Unit 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.

Banco Hipotecario cannot assure you that such regulatory authorities will not commence proceedings against Banco Hipotecario, its shareholders or directors nor issue sanctions against Banco Hipotecario.

In addition to regulations specific to its 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. Banco Hipotecario may not 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.

Future governmental measures could 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. Banco Hipotecario cannot assure that the laws and regulations currently governing the economy or the banking sector will remain unaltered in the future.

Accordingly, Law No. 26,739 has been recently enacted to amend the Argentine Central Bank Charter, the principal aspects of which are: (i) to broaden the scope of the Argentine 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; (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”. Banco Hipotecario is 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 Argentine Central Bank Charter) will not result in significant costs to Banco Hipotecario, or will otherwise have a material adverse effect on its operations.

A highly volatile regulatory framework could affect the country's economy in general, the financial institutions and Banco Hipotecario.

The Argentine Government has historically exercised significant influence over the Argentine economy and financial institutions in particular have operated in a highly regulated environment throughout different periods. Since December 2001, the Argentine Government has promulgated numerous, far-reaching regulations affecting the economy in general and financial institutions in particular. The laws and regulations that currently govern the economy and the financial sector may change in the future. We cannot assure that any changes in the regulations and the policies of the Argentine Government will not adversely affect financial institutions in Argentina, including Banco Hipotecario, its business, financial condition, the results of its operations or its ability to service foreign debt denominated in foreign currency. A non-stable regulatory framework would impose significant limitations on the activities of the financial system, including Banco Hipotecario, and it would give rise to uncertainty as regards its future financial condition and the result of its operations.

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

Banco Hipotecario foresees increased competition in the banking sector, additionally, if the trend towards decreasing spreads is not offset by the increase in lending volumes, the ensuing losses could lead to mergers in the industry.

Mergers could lead to the establishment of larger, stronger banks with more resources than Banco Hipotecario. Therefore, although the demand for financial products and services in these markets continues to grow, competition could adversely affect Banco Hipotecario's results of operations, shrinking spreads and commissions.

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

Publicly available information about Banco Hipotecario in Argentina is presented differently from the information available for 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 Argentine Banking GAAP, which could differ in certain significant respects from Argentine GAAP and from U.S. GAAP.

The effects of the legislation that restricts Banco Hipotecario's ability to pursue mortgage foreclosure proceedings could adversely affect Banco Hipotecario.

The ability to pursue foreclosure proceedings through completion in order to recover on its defaulted mortgage loans has an impact on Banco Hipotecario's activities. On December 13, 2006 and pursuant to Law No. 26,177, the "Restructuring Unit Law" was created to allow all the mortgage loans to be restructured between debtors and former Banco Hipotecario Nacional as far as they had been granted before the entry into force of Law No. 23,928 (the "Convertibility Law").

Law No. 26,313, the "Pre-convertibility Mortgage Loans Restructuring Law" was enacted by the Argentine Congress on November 21, 2007 and partially signed into law on December 6, 2007 to lay down the procedure to be followed in restructuring the mortgage loans within the scope of Section 23 of the Mortgage Refinancing System Law in accordance with the guidelines established by the Restructuring Unit Law. To this end, a new recalculation was encated for certain mortgage loans originated by the former Banco Hipotecario Nacional before April 1, 1991.

Decree 2107/08 issued on December 19, 2008 regulated the Pre-convertibility Mortgage Loans Restructuring Law and established that the recalculation of the debt applies to the individual mortgage loans from global operations in force at December 31, 2008 and agreed upon previous to April 1, 1991, and in arrears at least since November 2007 and remaining in arrears at December 31, 2008. In turn, Decree 1366/10, published on September 21, 2010, expanded the universe of Pre-convertibility loans subject to restructuring to include the individual mortgage loans not originating in global operations as far as they met the other requirements imposed by Decree 2107/08. In addition, Law No. 26,313 and its regulatory decrees also condoned the debts on mortgage loans granted before the Convertibility Law in so far as they had been granted to deal with emergency situations and in so far as they met the arrears requirement imposed on the loans subject to recalculation.

Subject to the Argentine Central Bank´s supervision, Banco Hipotecario has implemented the recalculation of mortgage loans within the scope of the above-discussed rules by adjusting the value of the new installments to a maximum amount not in excess of 20% of the household income. In this respect, Banco Hipotecario estimates that it has sufficient loan loss provisions to face any adverse economic impact on the portfolio involved.

However, Banco Hipotecario may not assure you that the Argentine Government will not enact new additional laws restricting Banco Hipotecario’s ability to enforce its rights as a creditor and/or imposing a condonation or a reduction of principal on the amounts unpaid in Banco Hipotecario’s mortgage loan portfolio. Any such circumstance might have a significant adverse effect on Banco Hipotecario’s financial condition and on the results of operations.

The Argentine Government may prevail at Banco Hipotecario’s General Shareholders’ Meetings.

By virtue of Law No. 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 Main Shareholders losing control. Should any such situation materialize and should the Argentine Government retain a sufficient number of Class A shares, the Argentine Government could prevail in Shareholders’ Meetings (except for some decisions that call for qualified majorities) and could thus exert actual control on the decisions that must be submitted to consideration by the Shareholders’ Meeting.

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

In recent years Banco Hipotecario has considered some business acquisitions or combinations and it plans to continue considering acquisitions that offer appealing opportunities and that are in line with Banco Hipotecario’s commercial strategy. However, Banco Hipotecario may not assure you that such businesses could deliver sustainable outcomes or that Banco Hipotecario will be able to consummate the acquisition of financial institutions in favorable conditions. Additionally, Banco Hipotecario's ability to obtain the desired outcome as a result of said acquisitions will be partly dependent upon Banco Hipotecario's ability to follow through with the successful integration of the businesses. To integrate any acquired business entails major risks, including:

- Unforeseen difficulties in integrating operations and systems;
- Problems inherent in assimilating or retaining the target's employees;
- Challenges associated with keeping the target's customers;
- Unforeseen liabilities or contingencies associated with the targets; and
- The likelihood of management having to take time and attention out of the business's day-to-day to focus on the integration activities and the resolution of associated problems.

Risks Related to Our ADSs and 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 American Depositary Shares ("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 shares sold to our affiliates. Inversiones Financieras del Sur S.A., which as of June 30, 2013, owned approximately 39.01% of our common shares (on a fully diluted basis) (or approximately 190,031,684 common shares which may be exchanged for an aggregate of 19,190,352 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.

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 Exchange (the "Bolsa de Comercio de Buenos Aires"or "BASE") 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 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.

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

We are a publicly held stock corporation (sociedad anónima) organized under the laws of Argentina. Most of our directors and our senior managers, and most of our assets are located in Argentina. As a result, it may not be possible for investors to effect service of process within the United States upon us or such persons or to enforce against us or them in United States courts 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 of ADSs would suffer negative consequences.

Based on the current and projected composition of our income and valuation of our assets we do not believe we were a passive foreign investment company ("PFIC"), for United States federal income tax purposes for the tax year ending June 30, 2013, 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 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 shares or ADSs at a gain, as well as reporting requirements. Please see ''Taxation—United States Taxation'' 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.

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

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

Holders of common shares 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 Argentine GAAP. 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 shareholders' ability to receive cash dividends may be limited.

Our shareholders' ability 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 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 convert the foreign currency, you may lose some or all of the value of the dividend distribution.

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, (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 your information reference 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 which was liquidated in 1959, and as a part of such liquidation, our shares were distributed to Credit Foncier's shareholders, and in 1960 ous shares were listed on the Buenos Aires Stock Exchange. During the 1960s and1970s, our business shifted to exclusively agricultural activities; during 1993 and 1994, Consultores Asset Management acquired on behalf of certain investors approximately 22% of our shares on the Buenos Aires Stock Exchange. In late 1994, an investor group led by Consultores Asset Management (and including Dolphin Fund plc.) purchased 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.

On September 25, 2007, we converted US$12.0 million of IRSA's convertible notes into 22.0 million of IRSA's common shares. From July 30, 2007 to November 14, 2007 we exercised 33.0 million of warrants to acquire an additional 60.5 million common share of IRSA for a total cost of approximately US$40.0 million. The term for the exercise of IRSA's outstanding warrants and the conversion of IRSA's outstanding convertible notes issued on November 21, 2002 expired on November 14, 2007, and subsequently, from December 1, 2007 to June 30, 2009, we acquired 122,625,854 additional shares of IRSA, increasing our interest to 55.64% as of June 30, 2009. We started consolidating the accounts and results of operations of IRSA as from October 1, 2008.

In March 2008 we concluded a capital increase of 180 million common shares. As a result, 180 million shares offered at the subscription price of US$ 1.60 or Ps.5.0528 per share was fully subscribed, both locally and internationally. 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".

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. As of June 30, 2013 we were a direct holder of shares equivalent to 39.64% of Brasilagro's outstanding capital stock.

As of June 30, 2013, we have invested approximately Ps. 1,026.8 million to acquire our current 65.45% equity interest of IRSA. IRSA is one of Argentina's largest real estate companies. IRSA 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.

Acquisitions, dispositions and authorization pending approval

Year ended June 30, 2013

Sale of farmlands

On June 19, 2013, the title deed was executed, by which Cresud sold to Vargas Derka SH a portion of "La Suiza" ranch of 5,613 hectares engaged in livestock activities located near "Villa Angela", Province of Chaco, remaining in this establishment 36,380 hectares used by the company to cattle and crop activities. The offer price amounts to US$ 6.7 million, which had been totally collected by the date of the execution of the title deed, generating a gain of Ps. 29.8 million.

On October 11, 2012 Brasilagro sold Horizontina, a field of land located in Tasso Fragoso, State of Maranhão, Brazil for a total amount of Rs. 75 million (Ps. 174.8 million). The payments were collected as follows: an initial payment of Rs. 1 million, Rs. 26 million in October, 2012 and Rs. 45 million upon execution of the conveyance, on January 22, 2013. The remaining balance of Rs. 3 million has been collected on Augusts 31, 2013. The gain of the sale was Ps. 53.9 million less commission, expenses and taxes.

The Horizontina farmland has an area of 14,359 hectares and was acquired on March 10, 2010 by the subsidiary Inmobiliaria Ceibo for a total amount of Rs. 37.7 million. Until December 31, 2012, the Company invested Rs. 10.4 million (net of accumulated depreciation) in infrastructure improvements.

On April 25, 2013, Brasilagro sold a total area of 394 hectares of Araucaria field. The establishment, located in the municipality of Mineros – GO was acquired in 2007 and has a total area of 9,862 hectares.

The sale was priced at Rs. 11.7 million (Ps. 26.6 million). The buyer made an initial payment of Rs. 1.7 million and remaining balance will be paid in eight installments every six month. The first installment is due in August, 2013, and the last one, at the moment of the execution of the title deed, in August, 2016. We recognized a gain for the sale of the Araucaria farmland for an amount of Rs. 6.7 million (Ps. 12.6 million).

On May 10, 2013, Brasilagro sold a total area of 4,895 hectares of Cremaq field. The establishment, located in the municipality of Ribeiro Gonçalves-PI, Brazil was purchased in 2007 and has a total area of 32,702.

The sale was priced at Rs. 42.1 million (Ps. 96.3 million). The buyer made an initial installment of Rs. 4.6 million and the remaining balance will be paid in five installments every six months. The first installment is due in August, 2013 and the last one, at the moment of the execution of the title deed, in June, 2016. We recognized a gain for the sale Cremaq field of Rs. 26.5 million (Ps. 53.2 million).

Transactions with non controlling interests

IRSA

During the current fiscal year, we acquired an additional 1.25% interest in IRSA for a total consideration of Ps. 45.8 million. This resulted in a decrease in non-controlling interests of Ps. 33.9 million and a decrease in equity attributable to owners of the parent of Ps. 11.9 million. The effect of changes in the ownership interest of IRSA on the equity attributable to owners of the Company is summarized as follows:

	Ps. (million)
Carrying amount of the Company's interest acquired of	33.9
Consideration paid for non-controlling interests	(45.8)
Reserve recorded within parent's equity	(11.9)

APSA

During the fiscal year, we, through IRSA and E-Commerce Latina S.A., acquired an additional 0.1% interest in APSA for a total consideration of Ps. 2.3 million. This resulted in a decrease in non-controlling interests of Ps. 0.8 million and a decrease in equity attributable to the owners of the parent of Ps. 1.5 million. The effect of changes in the ownership interest of APSA on the equity attributable to owners of the Company is summarized as follows:

		Ps. (million)
Carrying amount of the Company's interest acquired of		0.8
Consideration paid for non-controlling interests		(2.3)
Reserve recorded within parent's equity	(i)	(1.5)

(i) The Reserve includes Ps. 0.5 million for non-controlling interest

Arcos del Gourmet S.A.

On June 07, 2013, we, through APSA, acquired an additional 1.815% equity interest of its controlled company Arcos for a total amount of US$ 0.8 million. The carrying amount of the non-controlling interest in Arcos on the date of acquisition was Ps. 7,357 (representing a 11.815% interest). The effect on shareholder´s equity of the parent of this change in the equity interest in Arcos is summarized as follows:

		Ps. (million)
Carrying amount of the Company's interest acquired of		0.8
Consideration paid for non-controlling interests		(4.5)
Reserve recorded within parent's equity	(i)	(3.7)

(i) The reserve includes Ps. 1.4 million for non-controlling interest

Acquisition of joint venture

On November 29, 2012, we acquired through APSA shares of common stock, representing 50% of Entertainment Holdings S.A. ("EHSA")'s capital stock and votes for Ps. 32.0 million. Under the acquisition agreement, APSA is entitled to exercise joint control over EHSA. EHSA is an Argentine company whose main asset consists of an indirect interest of 50% in the capital and voting rights of La Rural S.A. ("LRSA"), whereby it has joint control over this Company together with Sociedad Rural Argentina ("SRA"), who owns the remaining 50%. Thus, APSA is the owner of an indirect interest of 25% in LRSA, whose main asset consists of an usufruct agreement on the Predio Ferial de Buenos Aires, located between Cerviño, Sarmiento, Santa Fe Avenues and Oro street, in the City of Buenos Aires (the "Predio Ferial") entered in 1999 into with SRA, owner of such Predio Ferial.

The fair value of the APSA's investment in the joint venture was determined based on the fair value of EHSA's net assets, with the rights of use being the main asset. APSA has allocated the price paid at the fair value of the net assets preliminary acquired based on the information available as of the closing date of these Consolidated Financial Statements. Such fair value amounted to Ps. 15.2 million, which means a goodwill amount of Ps. 10.7 million recognized under the line "Investments in associates and joint venture" in the statement of financial position ended June 30, 2013 and a credit of Ps. 6.1 million, recognized under the line "Trade and other receivables" in the Statement of Financial position.

On September 25 of 2013, Sociedad Rural Argentina (SRA), La Rural de Palermo S.A. (LRPSA), Boulevard Norte S.A. (BNSA), Ogden Argentina S.A., Entertainment Holdings S.A. (EH), Entretenimiento Universal S.A., and La Rural S.A., entered into an agreement that mainly consist of an amendment to the preexisting agreements under the joint venture pursuant to which they agreed to revise, amend and/or clarify certain provisions. Following this agreement, APSA is currently in the process of evaluating any potential effect on the preliminary purchase price allocation of its joint venture acquisition.

The fair value of the right of use has been determined by the application of the discounted cash flow method. This estimate considered a discount rate that reflects the market assessments regarding uncertainties in terms of the cash flow amount and timing. The amount of net future cash flows was estimated based on the specific features of the property, the agreements in force, market information and future forecasts as of the valuation date.

Net income forecasts, revenues growth rates and discount rates are among the most important assumptions used in the valuation.

Disposal of financial assets

During the current fiscal year, we sold, through our subsidiaries, 17,105,629 ordinary shares of Hersha, Hospitality Trust (Hersha) for a total amount of US$ 92.5 million. Consequently, as of the end of year, our interest in Hersha's capital stock decreased from 9.13% (at the beginning of the year) to 0.49%.

Significant sale of investment properties

On August 31, 2012, IRSA sold certain functional units of the building "Libertador 498" of the Autonomous City of Buenos Aires. The total price of the transaction amounted to Ps. 15 million and was collected upon the execution of the title conveyance deeds. This transaction generated a gain of Ps. 12.7 million.

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

On October 4 and 11, 2012, IRSA signed the transfer deed for the sale of several functional units (stores and parking spaces) of the building "Libertador 498". The transactions price was set at Ps. 29.4 million, amount that has been completely collected. This transaction generated a gain of Ps. 24.9 million.

On January 8, 2013, IRSA sold several functional units (stores and parking spaces) of the building "Costeros Dique IV". The total price of the transaction was Ps. 9.2 million. This transaction generated a gain of Ps. 7.8 million.

On May 8, 2013, IRSA signed the transfer deed for the sale of the 17th floor and two parking units of the Building Maipú 1300 and two parking units of the building Libertador 498. The total price of the transaction was Ps. 7.8 million (US$ 1.5 million). Such transaction generated a gain of approximately Ps. 6.0 million.

On May 20, 2013, IRSA signed the transfer deed for the sale of the 6th floor and two parking units of the Building Maipú 1300 and two parking units of the building Libertador 498. The transactions price was set at Ps. 7.6 million (US$ 1.45 million), amount that has been completely collected. This transaction generated a gain of Ps. 6.0 million.

On June 28, 2013, IRSA signed the transfer deed for the sale of 4th, 5th and 6th floors and 56 parking units of the building Bouchard 551. The total price of the transaction was Ps. 148.7 million, equivalent to US$ 27.6 million. This transaction generated a gain of Ps. 108.0 million.

Acquisition of Rigby 183 LLC

On June 30, 2012, IRSA held, through its subsidiary IMadison LLC, a 49% interest in the capital stock of Rigby 183 LLC ("Rigby"), a company that owns office buildings for rental at Madison Avenue 183, New York, USA. On November 27, 2012, we, through our subsidiary IRSA International LLC, acquired an additional equity interest of 25.5% in Rigby's capital stock reaching 74.5%, thus taking control over said company. As a result of the acquisition, we expect to increase its footprint in the US real estate market. The goodwill from the acquisition, which amounts to Ps. 45.7 million, is attributable to the synergies expected to be achieved by combining our and Rigby's operations.

The following chart shows the consideration paid by the us, and our subsidiaries, the fair value of the acquired assets, the assumed liabilities and the non-controlling interest as of the acquisition date.

	11.27.2012
Consideration paid:	Ps. (million)
Cash	118.4
Total consideration paid	118.4
Fair value of the interest in Rigby's equity held before the business combination	227.4
Total consideration	345.8
Recognized balances of acquired identifiable assets and assumed liabilities:	
Cash and cash equivalents	0.5
Investments properties	679.2
Restricted assets (i)	11.8
Trade and other receivables	2.3
Borrowings	(252.8)
Trade and other payables	(12.1)
Deferred income tax liabilities	(26.1)
Total net identifiable assets	402.8
Non-controlling interest	(102.7)
Goodwill	45.7
Total	345.8

(i) Corresponds to cash held in escrow as security deposits and taxes paid in advance by tenants.

The acquisition-related costs (which amount to Ps. 2.6 million) were charged under "General and Administrative Expenses" line in the statement of income.

The fair value of the investment property acquired for Ps. 679.2 million was assessed by a qualified independent appraiser. The fair value of trade receivables and other receivables amounts to Ps. 2.3 million, including trade receivables in the amount of Ps. 0.1 million. As of the acquisition date, we estimate that these receivables are recoverable. The fair value of the non-controlling interest in Rigby, an unlisted company, has been determined on a proportional basis to the fair value of net acquired assets.

We recognized gains of Ps. 124.1 million derived from the reassessment of the fair value of the 49% interest held in Rigby before the business combination. In addition, all exchange gains (losses) accumulated in shareholder's equity from the interest held in Rigby before the business combination (Ps. 12.9 million) were charged to income. These gains were disclosed under "Other operating results" line in the income statement.

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

Disposal of joint ventures

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

Year ended June 30, 2012

Sale of farmlands

On September 28, 2011, Brasilagro sold the Sao Pedro farmland, a rural property located in the Municipality of Chapadão do Céu – GO with a total surface area of 2,447 hectares, including 1,724 hectares suitable for agriculture. The transaction price was R$ 23.3 million (equivalent to Ps. 59.8 million and 580,000 bags of soybean seeds). The result of the sale was a gain of Ps. 27.8 million.

The purchaser has paid the amount in Reais equivalent to 352,500 tons of soybean. The remaining balance is payable in three annual installments due on March 30 of each year, for an amount of 92,500 bags of soybean each.

On March 2, 2012, we agreed upon the sale of 1,194 additional hectares of "La Fon Fon" farmland for US$ 4.8 million, US$ 2.4 million of which have been collected. The balance will be payable in four semi-annual consecutive installments, which is due on November 30, 2013 and thereafter. Possession was surrendered on June 30, 2012. The result of the sale was a gain of Ps. 6.6 million.

On May 22, 2012, the Company sold, assigned and conveyed to APSA a 115-hectare plot of land that forms part of the property "Puerta de Luján" located in the District of Luján, Province of Buenos Aires, for a total amount of US$ 8.9 million (Ps. 15.5 million), which has been fully collected. The result of the sale was a gain of Ps. 11.1 million.

Acquisition of associates

Agro Managers S.A.

In March 2012, we acquired a 46.8% interest in Agro Managers S.A., an Argentine-based investment company whose principal asset is a 0.24% interest in BrasilAgro, our subsidiary. The purchase price was US$ 0.5 million and was paid in cash.

Bitania 26 S.A.

On December 12, 2011, we, through Ritelco S.A., acquired a 49% interest in Bitania 26 S.A., an Argentine-based company which owns the "Esplendor Savoy" hotel in the city of Rosario, Province of Santa Fe. The purchase price was US$ 5.0 million and was paid in cash.

Acquisition of joint ventures

Nuevo Puerto Santa Fe S.A.

On August 18, 2011, we, through APSA, acquired a 50% interest in Nuevo Puerto Santa Fe S.A. ("NPSF"), an Argentine-based company located in the Province of Santa Fe (La Ribera Shopping). The purchase price was US$ 4.5 million payable over equal and consecutive monthly installments through February, 2013.

Transactions with non controlling interests

IRSA

During the fiscal year ended June 30, 2012, we acquired an additional 6.5% interest in IRSA for a total consideration of Ps. 158.9 million. This resulted in a decrease in non-controlling interests of Ps. 178.5 million and and increase in equity attributable to owners of the parent of Ps. 19.6 million. The effect of changes in the ownership interest of IRSA on the equity attributable to owners of the Company is summarized as follows:

	Ps. (million)
Carrying amount of the Company's interest acquired of	178.5
Consideration paid for non-controlling interests	(158.9)
Gain on acquisition recorded within parent's equity	19.6

APSA

During the fiscal year ended June 30, 2012, we acquired an additional 0.038% interest in APSA for a total consideration of Ps. 0.8 million. This resulted in a decrease in non-controlling interests of Ps. 0.4 million. The effect of changes in the ownership interest of APSA on the equity attributable to owners of the Company is summarized as follows:

		Ps. (million)
Carrying amount of the Company's interest acquired of		0.3
Consideration paid for non-controlling interests		(0.7)
Loss on acquisition recorded within parent's equity	(i)	(0.4)

(i) The Reserve includes Ps. 0.2 million for non-controlling interest

Arcos del Gourmet S.A.

On September 7, 2011, we, acquired through APSA, an additional 8.185% interest in its subsidiary Arcos for a total consideration of US$ 4.5 million. The carrying amount of the non-controlling interest in Arcos on the date of acquisition was Ps. 0.8 million (representing a 20% interest). The effect on shareholders equity of the parent of this change in the equity interest in Arcos is summarized as follows:

		Ps. (million)
Carrying amount of the Company's interest acquired of		0.2
Consideration paid for non-controlling interests		(16.2)
Reserve created due to the acquisition recorded within parent's equity	(i)	(16.0)

(i) The Reserve includes Ps. 6.2 million for non-controlling interest

Cactus Argentina S.A.

In December 2011, we acquired the remaining 20% interest in Cactus Argentina S.A. for a total consideration of US$ 1.4 million. This resulted in a decrease in non-controlling interests of Ps. 4.6 million and a decrease in equity attributable to owners of the parent of Ps. 10.6 million. The effect of changes in the ownership interest of Cactus Argentina S.A. on the equity attributable to owners of the Company is summarized as follows:

	Ps. (million)
Carrying amount of the Company's interest acquired of	(4.6)
Consideration paid for non-controlling interests	(6.0)
Loss on acquisition recorded within parent's equity	(10.6)

Jaborandi Ltda.

On September 22, 2011, through Brasilagro, we have amended the by-laws of Jaborandi Ltda. ("Jaborandi"), and transferred 1,766,038 quotas of Jaborandi to Maeda, non-controlling shareholder of Jaborandi. This transfer generated an increase in the non-controlling interest held by us in Jaborandoni for an amount of Ps. 2.9 million and a decrease in equity attributable to owners of the parent of Ps. 1.1 million.

On March 21, 2012, we, trough Brasilagro, acquired the remaining 49% interest in Jaborandi Ltda. for a consideration of Ps. 45.3 million. This resulted in a decrease in non-controlling interest of Ps. 32.2 million and a decrease in equity attributable to owners of the parent of Ps. 13.1 million. The effect of changes in the ownership interest of Jaborandi Ltda. on the equity attributable to owners of the Company is summarized as follows:

		Ps. (million)
Carrying amount of the Company's interest acquired of		32.2
Consideration paid for non-controlling interests		(45.3)
Reserve created due to the acquisition recorded within parent's equity	(i)	(13.1)

(i) The Reserve includes Ps. 7.8 million for non-controlling interest

Purchase of financial assets

Acquisition of preferred shares and warrants of Supertel Hospitalitary Inc. (“Supertel”)

On February 2012, IRSA through IRSA's subsidiary Real Estate Strategies L.P., acquired 3 million preferred shares (“Preferred Shares”) and 30 million warrants (“Warrants”) of Supertel for a total amount of US$ 30 million. Supertel is a Real Estate Investment Trust that focuses its activity on medium class long-stay hotels. Supertel owns approximately 80 hotels in 21 states of the United States of America, which are managed by diverse operators and franchises, such as Comfort Inn, Days Inn, Hampton Inn, Holiday Inn, Sleep Inn and Super 8, among others.

The mentioned Preferred Shares accrue a preferred dividend of 6.25% per annum and are convertible into 30 million common shares at a rate of 10 common shares for each preferred share. Subject to certain limitations, they can be exercised completely or partially at any time until February, 2017. Preferred shares grant IRSA, the same politic rights as those of Supertel’s common shares.

The Warrants grant IRSA the right to acquire 30 million Supertel’s common shares at a fixed price of US$ 1.20 per share. Subject to certain limitations, these warrants can be exercised at IRSA'soption, either fully or partially, at any time until February 2017.

As a holder of the Preferred Shares, we have a voting right in Supertel’s Shareholders’ Meetings of approximately 34%. Additionally, IRSA is entitled to appoint up to 4 directors, out of a total of 9, and takes part in the decisions made by the Board of Directors of Supertel, as to the acquisition, sale and management of Supertel’s real estate property. However, under no circumstance, can we hold an interest in Supertel in excess of 34% and/or exercise voting rights in excess of 34% at any Supertel Shareholders’ Meeting.

Even though we exercises material influence on Supertel, neither the Preferred Shares nor the Warrants give us access to economic rights associated to Supertel capital stock (we do not hold any interest in Supertel capital stock). As a result, the Preferred Shares and the Warrants have been accounted for as financial assets at fair value through profit or loss, as established by IFRS 9.

Upon initial recognition, the consideration paid for the preferred shares and warrants was assigned to both instruments based on the relative fair values of those instruments upon acquisition. The fair value of these instruments exceeded the transaction price and were determined using a valuation technique that uses inputs not observable in the market. As a result of the use of this technique, we have not recognized a gain at the time of initial recognition in the amount of US$ 7.9 million.

Contribution to Don Mario S.G.R.

On June 29, 2012, we, through APSA, effectively made a contribution in the amount of Ps. 10,000 to Don Mario S.G.R., a reciprocal guarantee company under Argentine law. The SGRs are legal entities created for promoting financing for small and medium businesses (PYMES) and for reactivating national economy. The SGRs are funded through the contributions of investors who, in turn, obtain tax benefits. The SGRs act in their capacity of guarantors for pymes in relation to the borrowings they receive from financial institutions. The funds received are generally invested in fixed-term deposits by the SGRs. We have received five shares with a nominal value of Ps. 0.005. These shares are symbolic and merely represent our rights in the investment. These shares do not grant control or significant influence over the entity’s activities. APSA must maintain the investment in the SGR for a minimum period of 2 years and APSA must grant with its contribution certain financing obtained by PyME´s of APSA's supply chain to make use of the tax benefit.

Significant sale of investment properties

On October 17, 2011, we, through IRSA, sold certain functional units of the building “Libertador 498” of the Autonomous City of Buenos Aires. The total price of the transaction amounted to US$ 2.5 million and was collected as of June 30, 2012. This transaction generated a gain of Ps. 7.9 million.

On October 25, 2011, we, through IRSA, sold the property “Thames” located in the Province of Buenos Aires. The total transaction price amounted to US$ 4.7 million and was collected as of June 30, 2012. This transaction generated a gain of Ps. 14.7 million.

Likewise, we, though IRSA, sold in two separate transactions performed in March and May, 2012, all the functional units from the property known as "Museo Renault" at Figueroa Alcorta 3301 of the Autonomous City of Buenos Aires. The total price agreed amounted to US$ 11.7 million. For the sale executed in May 2012, the price was financed with a mortgage loan of US$ 3.3 million repayable in two annual installments and with an annual rate of 8.5%. The transactions described above recorded a profit of Ps. 23.9 million.

On June 16, 2012, we, through IRSA, sold and transferred a covered area of 4,703 square meters for offices and 46 car parking spaces and 4 complementary units to be used as storage units in the building identified as Yacht V and VI of the complex known as “Puerto del Centro”, located in Dique IV, Puerto Madero. The amount of the transaction was Ps. 69 million, which was paid by the buyer upon execution of the conveyance deed. The result for this transaction amounted to Ps. 53.7 million.

The properties mentioned above were classified as investment properties until the above mentioned transactions were executed, which represents a gross lease area of approximately 41,193 square meters.

Transactions and authorizations pending

Urban properties and investments business

Paraná plot of land

On June 30, 2009, we, through APSA, subscribed a “Letter of Intent” by which it stated its intention to acquire from Wal-Mart Argentina S.A. a plot of land of about 10,022 square meters located in Paraná, Province of Entre Ríos, to be used to build, develop and exploit a shopping center or mall.

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

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

On June 29, 2012, the parties have agreed to extend the term for the execution of the title conveyance deed, which shall be executed within sixty (60) days as from the date in which the selling party evidences to the buying party with a certified copy that the real estate is not subject to any encumbrance, burden, limit or restriction to the ownership, except for the mentioned administrative easement.

Acquisition of commercial center goodwill

We, through APSA, signed an offering letter for acquiring, building and running a commercial center in a real estate owned by INC S.A., located in the City of San Miguel de Tucumán, Province of Tucumán. The price of this transaction was US$ 1.3 million, of which US$ 0.05 million were paid. The mentioned payment was recorded as an advance under “Trade and other receivables” line.

This transaction was subject to certain conditions precedent, among which we through APSA should acquire from INC S.A. the goodwill constituted by the commercial center operating in Soleil Factory. Having complied with such condition on July 1, 2010, APSA should have started the works: i) 12 months after complying with such conditions, or ii) on May 2, 2011, whichever occurs earlier. However, before starting with the works, INC S.A. should have: i) granted the title deeds to APSA's future units to APSA, and ii) transferred to APSA the rights to the registered architectural project and the effective permissions and authorizations to be carried out in APSA's future units. As of June 30, 2013, the two conditions have not been fulfilled.

Antitrust Law

For more information about this item, please see: “Item 8. Financial information-A. Consolidated Statements and Other Financial Information”

Capital Expenditures

Our capital expenditures totaled Ps. 1,048.0 and Ps. 243.1 million for the fiscal years ended on June 30, 2013 and 2012, including other property and equipment acquired in business combinations. Our capital expenditures consisted in the purchase of real estate and farmlands, 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 beef cattle as well as the evolution of commodity prices.

Fiscal Year Ended June 30, 2013

Fiscal Year 2013. During the fiscal year ended June 30, 2013, we invested Ps. 920.9 million in the urban properties and investment business, mainly due to (a) improvements in our hotels Sheraton Libertador, Intercontinental and Llao Llao for Ps. 0.9 million, Ps. 2.6 million and Ps.0.4 million, respectively, (b) acquisition of furniture and fixtures, machinery and equipment, and other buildings and facilities for Ps. 11.6 million, (c) improvements made to our shopping centers for Ps. 56.9 million, (d) development of properties for Ps. 144.2 million, corresponding Ps. 117.9 million to “Arcos” project and Ps. 26.3 million to Shopping Neuquén project (e) improvements in our Office buildings and other rental properties for Ps. 7.6 million, (f) Ps. 679.2 million were related to the purchased an additional 25.5% equity interest in Rigby 183 LLC ’s capital stock, (g) Ps.15.8 million are related to suppliers advances and (h) Ps. 1.8 million were related to the acquisition of plots of lands.

In addition, our main investments in the agricultural business during the fiscal year 2013 were Ps. 127.1 million, mainly due (a) acquisition and development of owner occupied farmland for Ps. 109.4 million (including Ps. 61.5 million of our subsidiary Brasilagro), (b) Ps. 10.4 million in machinery, (c) Ps. 2.6 million in investment properties, (d) Ps. 1.6 million in vehicles, (e) Ps. 2.4 million in other building and facilities and (f) Ps. 0.7 million in furniture and fixtures.

Fiscal Year Ended June 30, 2012

Fiscal Year 2012. During the fiscal year ended June 30, 2012, we invested Ps. 106.3 million in the urban properties and investment business, mainly due to (a) improvements in our hotels Sheraton Libertador, Intercontinental and Llao Llao for Ps. 0.9 million, Ps. 3.5 million and Ps.0.4 million, respectively, (b) acquisition of furniture and fixtures, machinery, equipment, and facilities for Ps. 8.2 million, (c) improvements made to our shopping centers for Ps. 31.3 million, (d) development of properties for Ps. 23.9 million, corresponding Ps. 18.4 million to “Arcos” project and Ps. 5.5 million to Shopping Neuquén project (e) improvements in our office buildings and other rental properties for Ps. 8.8 million and (f) Ps. 29.3 million in the acquisition of plots of land, mainly the Lujan plots of land (Ps. 24.2 million).

In addition, our main investments in the agricultural business during the fiscal year 2012 were Ps. 136.8 million, mainly due (a) acquisition and development of owner occupied farmland for Ps. 93.8 million (including Ps. 55.0 million of our subsidiary Brasilagro), (b) Ps. 20.1 million in machinery, (c) Ps. 14.8 million in investment properties, (d) Ps. 4.3 million in vehicles, (e) Ps. 2.7 million in other building and facilities and (f) Ps. 1.0 million in furniture and fixtures.

Recent Developments

Repurchase of IRSA´s shares

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IRSA´s Board of Directors has resolved to approve a stock repurchase plan under the terms of Section 64 of the Capital Markets Law (as defined herein below) and the CNV Rules (as defined herein below); the aforementioned stock repurchase plan will be enforce until June 30, 2014; and shall be performed with liquid and realized profits and freely available reserves, for total amount of up to Ps. 200,000,000 or up to 5% of our capital stock.

Banco Hipotecario's Dividends

The Shareholders' Meeting of Banco Hipotecario S.A.has approved a dividend distribution for the amount of Ps. 30.0 million charged to the fiscal year ended December 31, 2012. In accordance with its shareholding, through IRSA, we will receive Ps. 9.2 million.

Shareholders´Meeting:

Our Shareholders´Annual Meeting will be held on October 31, 2013, in order to consider and approve, among others, (i) Consideration of the rules contained in Resolution 609/2012 issued by the Argentine Securities Commission and the creation of a special reserve in the Shareholders' Equity, (ii) Consideration of net loss for the fiscal year ended June 30th, 2013, amounting to Ps. 26,907,000, and its full or partial absorption by the "Special Reserve" account mentioned in item 2)above, (v) Consideration of reversal for up to Ps. 120,000,000 of the balance in the "Reserve for New Projects" account and its distribution as dividends in cash and/or in kind for an amount of up to Ps. 120,000,000. Delegation on the Board of Directors of powers for its implementation, (iii) Consideration of the Board of Directors' performance, (iv) Consideration of the Supervisory Committee's performance, (v) Consideration of compensation payable to the Board of Directors for Ps. 17,547,324 (allocated amount) for the fiscal year ended June 30th, 2013 which recorded a computable loss within the meaning of the regulations issued by the Argentine Securities Commission. Delegation on the Board of Directors of powers to approve the Audit Committee's budget, (vi) Consideration of compensation payable to the Supervisory Committee for the fiscal year ended June 30th, 2013, (vii) Determination of the number and election of Regular Directors and Alternate Directors, as applicable, (viii) Appointment of Regular and Alternate Members of the Supervisory Committee, (ixi) Appointment of Certifying Accountant for the next fiscal year and determination of its compensation. Delegation of powers, (xiii) Updating of Shared Services Agreement report, (x) Treatment of amounts paid as personal asset tax levied on the shareholders, (xi) Consideration of renewing the delegation on the Board of Directors of the powers to determine the time and currency of issuance and further terms and conditions as resolved by the Shareholders' Meetings dated October 29th, 2009 and October 31st, 2011, for the issuance of short-term debt securities ("VCP") for a maximum outstanding amount which shall not exceed at any time the peso equivalent of US$ 30,000,000.

Acquisition of Shares of Avenida.com

Through IRSA´s subsidiary APSA, we have subscribed for 3,703,704 shares of Avenida Inc., representing 26.09% of its stock capital. Avenida Inc. will be engaged in the e-commerce business. The transaction price was Ps. 13.0 million, which have already been fully paid. APSA has the option to increase its interest up to 37.04% of such company.

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—Companhia Brasileira de Propriedades Agrícolas, as well as in other Latin American countries. We are currently involved in several farming activities including grains and sugarcane production, beef 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 lands to third parties and perform agency and agro-industrial services, including a feedlot and a meat packing plant. Our shares are listed on the Buenos Aires Stock Exchange ("BCBA") and the NASDAQ.

We are also directly engaged in the Argentine real estate business through our subsidiary IRSA, 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 development of residential properties. IRSA's shares are listed on the BCBA and the NYSE. We hold a 65.45% interest in IRSA and a majority of our directors are also directors of IRSA.

During the fiscal years ended June 30, 2012 and 2013, we had consolidated revenues of Ps. 2,859.8 million and Ps. 3,528.5 million, initial recognition and changes in fair value of biological assets and agricultural produce at the point of harvest of Ps. 886.7 million and Ps. 700.9 million, and consolidated net income of Ps. 58.5 million and Ps. 154.3 million, respectively. During the fiscal years ended June 30, 2012 and June 30, 2013, our total consolidated assets increased 20% from Ps. 10,324.9 million to Ps. 12,410.7 million, and our consolidated shareholders' equity increased 0.6% from Ps. 4,691.5 million to Ps. 4,719.1 million.

We operate in two businesses areas, namely, "Agricultural" and "Investment and Development Properties" businesses, as further described below.

Our Agricultural business is further comprised of eight reportable segments:

- Our "Crops" segment consists of planting, harvesting and sale of crops including wheat, corn, soybeans, cotton, and sunflower, which do not represent separate operating segments on an individual basis. We seek to maximize the use of our land through crop rotation, the use of technology and techniques, and the type and amount of crops cultivated may vary from one harvest year to another harvest year. In this way, we are focused on the long-term performance of our land, and to that extent, we assess the performance considering the aggregated combination, if any, of crops planted in the land. Our Crops Segment had assets of Ps. 1,406.6 million and Ps. 1,462.4 million as of June 30, 2013 and 2012, respectively, representing 59% and 62% of our agricultural business assets at such dates, respectively. Our Crops segment generated operating loss of Ps. 107.7 million and Ps. 133.1million for the financial years ended June 30, 2013 and 2012, respectively, representing -306% and 136%, of our consolidated operating income from Agricultural Business for such years, respectively.

- Our "Beef cattle" segment consists of breeding, purchasing and/ or fattening of free-range beef cattle for sale to meat processors and local livestock auction markets. Our Beef cattle segment had assets of Ps. 357.6 million and Ps. 393.5 million as of June 30, 2013 and 2012, respectively, representing 15% and 17% of our agricultural business assets at such dates, respectively. Our Beef cattle segment generated operating loss of Ps. 17.0 million and operating income of Ps. 18.4 million for the financial years ended June 30, 2013 and 2012, respectively, representing -48% and -19%, of our consolidated operating income from Agricultural Business for such years, respectively.

- Our "Milk" 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 Milk segment had assets of Ps. 49.6 million and Ps. 42.1 million as of June 30, 2013 and 2012, respectively, representing 2.0% and 1.8% of our agricultural business assets at such dates, respectively. Our Milk segment generated operating loss of Ps. 0.6 million and operating income of Ps. 1.6 million for the financial years ended June 30, 2013 and 2012, respectively, representing -2% and -2%, of our consolidated operating income from Agricultural Business for such years, respectively.

- Our "Sugarcane" segment consists of planting, harvesting and sale of sugarcane. Our Sugarcane segment had assets of Ps. 417.3 million and Ps. 322.8 million as of June 30, 2013 and 2012, respectively, representing 18% and 14% of our agricultural business assets at such dates, respectively. Our Sugarcane segment generated operating income of Ps. 27.2 million and operating loss of Ps. 6.2 for the financial years ended June 30, 2013 and 2012, respectively, representing 77% and 6%, of our consolidated operating income from Agricultural Business for such years, respectively.

- Our "Farmland Leases and Services" segment includes services, i.e. irrigation and farmland leases out to third parties. Our Farmland Leases and Services Segment had assets of Ps. 25.8 million and Ps. 34.7 million as of June 30, 2013 and 2012, respectively, representing 1% and 1% of our agricultural business assets at such dates, respectively. Our Farmland Leases and Services segment generated operating income of Ps. 12.1 million and Ps. 17.0 million for the financial years ended June 30, 2013 and 2012, respectively, representing 34% and -17%, of our consolidated operating income from Agricultural Business for such years, respectively.

- Our "Land Transformation and Sales" segment comprises the identification and acquisition of underdeveloped and undermanaged farmland property and the sale of farmland to profit from land value appreciation generated through the use of the land. Our Land Transformation and Sales segment had assets of Ps. 58.0 million and Ps. 55.6 million as of June 30, 2013 and 2012, respectively, representing 2% and 2% of our agricultural business assets at such dates, respectively. Our Land Transformation and Sales segment generated operating income of Ps. 132.6 million and Ps. 39.2 million for the financial years ended June 30, 2013 and 2012, respectively, representing 377% and -40%, of our consolidated operating income from Agricultural Business for such years, respectively.

- Our "Agro-industrial" segment consists of feedlot farming for slaughtering process in our own packing plant or for beef cattle finishing services to third parties. Feedlot farming is distinctive and requires specific care and diets, which differ from those, provided to free-range beef cattle. We assess this activity separately due to the distinctive characteristics of the beef cattle feedlot system and its integration with industrialized meat processing. Our Agro-industrial segment had assets of Ps. 30.7 million and Ps. 21.3 million as of June 30, 2013 and 2012, respectively, representing 1% and 1% of our agricultural business assets at such dates, respectively. Our Agro-Industrial segment generated operating loss of Ps. 24.5 million and Ps. 25.6 million for the financial years ended June 30, 2013 and 2012, respectively, representing -69% and 26%, of our consolidated operating income from Agricultural Business for such years, respectively.

- Our "All Others" segment comprises the aggregation of the remaining operating segments, which do not meet the quantitative thresholds for disclosure, mainly brokerage activities. Our All Others segment had assets of Ps. 34.4 million and Ps. 13.6 million as of June 30, 2013 and 2012,

- respectively, representing 1% and 1% of our agricultural business assets at such dates, respectively. Our All Others segment generated operating income of Ps. 13.0 million and operating loss of Ps. 9.3 million for the financial years ended June 30, 2013 and 2012, respectively, representing 37% and 9%, of our consolidated operating income from agricultural business for such years, respectively.

Our Investment and Development Properties is further comprised of six reportable segments:

- 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. 2,136.6 million and Ps. 2,247.7 million as of June 30, 2013 and 2012, respectively, representing 36% and 41% of our investment and development properties business assets at such dates, respectively. Our Shopping Centers segment generated operating income of Ps. 681.6 million and Ps. 564.0 million for the financial years ended June 30, 2013 and 2012, respectively, representing 63% and 75%, of our consolidated operating income for such years, respectively.

- Our "Offices and Other Rentals" 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 Other Rentals segment had assets of Ps. 922.8 million and Ps. 1,092.8 million as of June 30, 2013 and 2012, respectively, representing 15% and 20% of our investment and development properties business assets at such dates, respectively. Our Offices and Other Rentals segment generated operating income of Ps. 121.8 million and Ps. 101.8 million for the financial years ended June 30, 2013 and 2012, respectively, representing 11% and 14%, of our consolidated operating income for such years, respectively.

- Our "Development and Sales of Properties" 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 Development and Sales of Properties segment had assets of Ps. 780.0 million and Ps. 671.9 million as of June 30, 2013 and 2012, respectively, representing 13% and 12% of our investment and development properties business assets at such dates, respectively. Our Development and Sales of Properties segment generated operating income of Ps. 170.5 million and Ps. 95.4 million for the financial years ended June 30, 2013 and 2012, respectively, representing 13% and 16%, of our consolidated operating income for such years, respectively.

- Our "Hotels" segment includes the operating results of our hotels mainly comprised of room, catering and restaurant revenues. Our Hotels segment had assets of Ps. 207.7 million and Ps. 220.3 million as of June 30, 2013 and 2012, respectively, representing 3% and 4% of our investment and development properties business assets at such dates, respectively. Our Hotels segment generated operating loss of Ps. 21.8 million and Ps. 9.6 million for the financial years ended June 30, 2013 and 2012, respectively, representing -2% and -1%, of our consolidated operating income for such years, respectively.

- Our "International" segment includes mainly the consolidated results of operations of our office building property located at 183 Madison Avenue in New York, United States of America as from the date we obtained control of this operation plus our share of profit or loss of our associate New Lipstick, a holding company which is the owner of Metropolitan. Metropolitan's main asset is the Lipstick Building, a 34-story building located on Third Avenue between 53rd and 54th streets in Manhattan, New York City. Our International segment had assets of Ps. 877.1 million and Ps. 180.0 million as of June 30, 2013 and 2012, respectively, representing 15% and 3% of our investment and development properties business assets at such dates, respectively. Our International segment generated operating income of Ps. 129.3 million and operating loss of Ps. 8.8 million for the financial years ended June 30, 2013 and 2012, respectively, representing 4% and -1%, of our consolidated operating income for such years, respectively, mainly due to the consolidation of this investment in our audited consolidated financial statements, after increasing our interest up to 74.5% in Rigby 183 LLC on November 27, 2012.

- Our “Financial Operations and Others” segment includes the income or loss generated by our associates Banco Hipotecario and Tarshop S.A. and the residual financial operations from our subsidiary Apsamedia. Banco Hipotecario is a full-service commercial bank offering a wide variety of banking activities and related financial services to individuals, small-and medium-sized companies and large corporations (mainly mortgage lender, provider of mortgage-related insurance and mortgage loan services). Both Tarshop’s and Apsamedia’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. 1,084.6 million and Ps. 1,043.8 million as of June 30, 2013 and 2012, respectively, representing 18% and 19% of our investment and development properties business assets at such dates, respectively. Our Financial Operations and Others segment generated operating loss of Ps. 5.5 million and operative income of Ps. 5.8 million for the financial years ended June 30, 2013 and 2012, respectively, representing -1% and 1%, of our consolidated operating income for such years, respectively.

Agricultural Business

As of June 30, 2013, we owned 33 farmlands with approximately 643,891 hectares distributed in Argentina, Brazil, Bolivia and Paraguay. Approximately 110,447 hectares of the land we own are used for crop production, approximately 77,963 hectares are for beef cattle production, 85,000 hectares are for sheep production, 2,780 hectares are for milk production and approximately 21,277 hectares are leased to third parties for crop and cattle beef production. The remaining 346,424 hectares of land reserve 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 21,947 hectares for crop production. Also, during fiscal the year 2013 ended on June 30, 2013, we leased 45,492 hectares from third parties for crop production and 12,635 hectares for beef cattle production.

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

	2009(1) (5)	2010(1) (5)	2011(1) (5)	2012(1) (6)	2013(1) (6) (7)
Crops (2)	115,411	104,627	126,178	181,079	168,134
Beef Cattle (3)	128,859	105,857	102,279	95,995	91,053
Milk	4,334	4,900	2,571	3,022	2,780
Sheep	100,911	100,911	100,911	85,000	85,000
Land reserves (4)	356,796	343,153	339,744	459,680	478,246
Owned farmlands leased to third parties	8,317	11,049	14,026	25,538	31,593
Total (5)	714,628	670,497	685,709	850,314	856,806

(1) Includes 35.723% of approximately 8,299 hectares owned by AgroUranga S.A., an associated Argentine company in which we own a non-controlling 35.7% interest.
(2) Includes wheat, corn, sunflower, soybean, sorghum and others.
(3) Breeding and fattening.
(4) We use part of our land reserves to produce charcoal, rods and fence posts.
(5) Does not include Brasilagro.
(6) As from fiscal year 2012, it includes Brasilagro and 100% of Cactus.
(7) Includes farmlands owned by Brasilagro and Cresud sold in 2013.

In September 2005, we, together with other Brazilian partners, founded Brasilagro, a company organized to exploit opportunities in the Brazilian agricultural sector. In April 2006, Brasilagro increased its capital through a global and domestic offering of common shares, and as of June 30, 2013, we owned 39.64% of the outstanding common shares of Brasilagro. Through this company we control 7 farmlands, extending over a total surface area of 158,404 hectares allocated to the production of sugarcane, corn, soybean and timber.

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.

Focus on maximizing 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 over 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 beef cattle feeding land, (ii) transforming beef 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 developed agricultural regions and/or properties that we believe will increase in value due to their proximity to existing or expected infrastructure.
- Applying modern technologies to enhance operating yields and property values. We believe there is an opportunity 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, machinery, crop yield optimization through land rotation, irrigation and the use of fertilizers

and agrochemicals. To enhance our beef cattle production, we use genetic technology and have a strict animal health plan, controlled periodically through traceability systems. In addition, we have introduced a feedlot to optimize our beef cattle management and modern milking technologies in our milk 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, in each case in anticipation of such market trends.
- 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, Paraguay and Uruguay.

Increase and optimize production yields

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

Implementation of technology.

- 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 farmlands.

- To increase beef 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 beef cattle processing operations in Argentina through Cactus Argentina S.A. ("Cactus"), a feedlot and slaughterhouse operator.

- In our milking facility, we have implemented an individual animal identification system, using plastic tags for our beef 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, beef 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 farmlands, 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.

Diversifying market and weather risk by expanding our product and land portfolio.

- We seek to continue diversifying our operations to produce a range of different agricultural commodities in different markets, either directly or in association with third parties. We believe that a diversified product mix mitigates our exposure to seasonality, commodity price fluctuations, weather conditions and other factors affecting the agricultural and livestock sector. To achieve this objective in Argentina, we expect to continue to own and lease farmlands in various regions with differing weather patterns and to continue to offer a range of diversified products. Moreover, we believe that continuing to expand our agricultural operations outside of Argentina will enhance 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

We seek to maintain the long-term value of our significant investment in the urban real estate sector through IRSA. We believe that IRSA is an ideal vehicle through which to participate in the urban real estate market due to its substantial and diversified portfolio of residential and commercial properties, the strength of its management and what we believe are its attractive prospects for future growth and profitability.

- Shopping centers. We believe that the Argentine shopping center sector offers attractive prospects for long-term growth due to, among other factors, a continuing evolution of consumer preferences in favor of shopping malls (away from small neighborhood shops) and a low level of shopping center penetration compared to many developed countries. Our main objectives are to generate sustained cash flow growth from our shopping centers and increase their value in the long-term, while maintaining a leading position in Argentina's shopping center industry by developing new shopping centers in urban areas with attractive prospects for growth, including the Buenos Aires' Metropolitan area, Argentine provinces and elsewhere in Latin America.
- Development and sale of properties. 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 Buenos Aires, developing roads and other basic infrastructure such as power and water, and then selling lots for the construction of residential units. After the Argentine economic crisis in 2001 and 2002, the scarcity of mortgage financing restricted the growth in middle class home purchases and, as a result, we mainly focused on the development of residential communities for middle and high-income individuals, who do not need to finance their home purchases. In addition, we seek to develop residential properties for other segments of the residential market in Argentina and during the first quarter of the 2000 fiscal year, we entered into a partnership with Cyrela Empreendimentos e Participações, a leading Brazilian residential real estate developer, to penetrate new market segments.
- Office and other non-shopping center properties. Since the Argentine economic crisis in 2001 and 2002, there have been limited investments in high-quality office buildings in Buenos Aires and, as a result, we believe there is currently substantial demand for more desirable office spaces. We seek to purchase and develop premium office buildings in strategically-located business districts in Buenos Aires and other strategic locations that we believe offer attractive returns 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 selectively consider new opportunities to acquire or construct new rental office buildings.
- Hotel operations. 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.

- Banco Hipotecario. Banco Hipotecario is a full-service commercial bank offering a wide variety of banking activities and related financial services to individuals, small- and medium-sized companies and large corporations. Among these services, Banco Hipotecario stands out as a leader in mortgage loans in Argentina. Since 1999, Banco Hipotecario's shares have been listed on the Buenos Aires Stock Exchange, and since 2006 it has obtained the Level 1 ADR program from the Bank of New York. We currently seek to keep our investment in Banco Hipotecario, as we believe that Argentina has a low level of mortgages outstanding measured in terms of GDP.
- Land reserves. 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.
- International. In the past, IRSA has made significant real estate investments outside of Argentina, including investments in Brazil Realty S.A. in Brazil and Fondo de Valores Inmobiliarios in Venezuela which we disposed of in 2002 and 2001, respectively. 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. We have recently increased our interest to 74.5% of the office building located at Madison Avenue in the City of New York. We also have a 49.87% 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 34% of Supertel Hospitality Inc REIT's voting rights (NASDAQ: SPPR) and we have recently sold our almost entire shareholding in the Hersha REIT (NYSE: HT), which holds a controlling interest in 65 hotels in the United States, totaling around 9,221 rooms. As of June 30, 2013, IRSA held a 0.49% stake in the company. We intend to continue evaluating -on a selective basis- investment opportunities outside Argentina as long as they offer attractive investment and development options.

Our Principal Agricultural Business Activities

During the fiscal year ended June 30, 2013, we conducted our operations on 33 owned farmlands and 78 leased farmlands. Some of the farmlands we own are engaged in more than one productive activity at the same time.

Volume (in tons)	Stock as of 06/30/2012	Fiscal Year 2013 Production	Fiscal Year 2013 Sales	Stock as of 06/30/2013
Wheat	6,360	4,505	10,735	-
Corn	90,177	107,257	271,144	34,667
Sunflower	3,501	12,437	10,551	5,855
Soybean	47,587	220,293	208,814	45,928
Sugarcane	45,819	1,156,848	1,179,877	-
Milk (1)	-	18,459	17,870	-

Beef	22,882	8,196	10,180	20,898

(1) In thousands of liters.

Crops and Sugarcane

Our crop production is mainly based on grains and oilseeds and sugarcane. Our main crops include wheat, corn, soybean and sunflower. Other crops, such as sorghum, 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 and sugarcane production volumes measured in tons:

	2009(1)	2010(1)	2011(1)	2012(2)	2013(2)
Wheat	21,375	11,636	16,386	18,200	4,505
Corn	110,149	127,060	171,614	143,639	107,257
Sunflower	13,030	7,641	13,512	14,524	12,436
Soybean	76,893	126,956	154,008	193,554	220,293
Sugarcane	-	-	-	576,048	1,156,848
Other	15,584	49,323	111,391	16,400	10,899
Total	237,031	322,616	466,911	962,365	1,512,238

(1) Does not include production from Agro-Uranga S.A. or Brasilagro.
(2) Does not include production from Agro-Uranga S.A. Includes Brasilagro.

Below is the geographical distribution of our agricultural production for the last two seasons, measured in hectares:

2013 Season	Argentina	Brazil	Bolivia	Paraguay	Total
Wheat	3,224	-	1,281	-	4,505
Corn	58,336	34,630	14,291	-	107,257
Sunflower	12,089	-	347	-	12,436
Soybean	82,229	106,276	31,601	187	220,293
Sorghum	2,543		2,638	305	5,486
Other	3,055	2,358	-	-	5,413
Sugarcane	-	1,014,234	142,614	-	1,156,848
Total	161,476	1,157,498	192,772	492	1,512,238

2012 Season	Argentina	Brazil	Bolivia	Paraguay	Total
Wheat	17,212	-	988	-	18,200
Corn	49,689	72,387	21,563	-	143,639
Sunflower	13,231	-	1,293	-	14,524
Soybean	79,164	83,319	29,976	1,096	193,555
Sorghum	949	-	4,431	2,133	7,513
Other	7,606	1,280	-	-	8,886
Sugarcane	-	576,030	18	-	576,048
Total	167,851	733,016	58,269	3,229	962,365

Sales

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

2013 Season	Argentina	Brazil	Bolivia	Paraguay	Total
Wheat	9,566	-	1,169	-	10,735
Corn	184,515	64,913	21,715	-	271,143
Sunflower	9,667	-	884	-	10,551
Soybean	79,255	100,311	27,645	1,603	208,814
Sorghum	1,278	-	3,939	590	5,807
Other	9,274	4,778	-	-	14,052
Sugarcane	-	1,047,792	132,085	-	1,179,877
Total	293,555	1,217,794	187,437	2,193	1,700,979

2012 Season	Argentina	Brazil	Bolivia	Paraguay	Total
Wheat	19,758	-	988	-	20,746
Corn	154,845	55,974	13,295	-	224,114
Sunflower	16,802	-	1,293	-	18,095
Soybean	104,378	111,080	33,567	2,615	251,640
Sorghum	3,660	-	3,254	1,583	8,497
Other	5,366	6,153	-	-	11,519
Sugarcane	-	636,335	-	-	636,335
Total	304,809	809,542	52,397	4,198	1,170,946

The following table shows the hectares of sown land for the fiscal years indicated below:

	2009(1)(2)	2010(1)(2)	2011(1)(2)	2012(1)(3)	2013(1)(3)
Own	43,193	47,448	59,122	127,793	113,705
Under lease	59,615	42,696	52,205	44,508	45,492
Under concession	8,067	10,816	10,401	8,778	8,937
Leased to third parties	-	-	-	23,595	18,223
Total	110,875	100,960	121,728	204,674	186,357

(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) Does not include Brasilagro or Agro-Uranga S.A.
(3) Includes Brasilagro. Does not include Agro-Uranga S.A.

Stock	2013 Season	2012 Season	Variation
Corn	34,667	90,177	-61.6 %
Soybean	45,928	47,587	-3.5 %
Sunflower	5,855	3,501	67.2 %
Sorghum	3,577	2,581	38.6 %
Wheat	-	6,360	(100.0)%
Cotton	239	1,269	-81.2 %
Sugarcane	-	45,819	(100.0)%
Other	-	1,321	(100.0)%
Total	90,266	198,615	-54.6 %

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 farmlands 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 farmlands for production of crops generally consist of lease agreements with payments based on a fixed amount of Pesos per hectare or crop sharing agreements (“aparcería”) 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 farmlands 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 June. 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 and sunflower seeds, 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.

Results

The following table shows this segment's results for the fiscal year 2013, compared to the previous fiscal year:

Crops

In millions of Ps.	FY 2013	FY 2012	YoY var
Revenues	750.2	636.1	17.9 %
Costs	(1,227.8)	(1,051.9)	16.7 %
Initial recognition and changes in Fair value of biological assets and agricultural produce at the point of harvest	572.1	513.4	11.4 %
Changes in the net realizable value of agricultural produce after harvest	11.8	2.5	379.7 %
Gross Income	106.2	100.1	6.1 %
General and administrative expenses	(87.7)	(86.8)	1.1 %
Selling expenses	(115.0)	(88.4)	30.1 %
Other operating results, net	(11.2)	(58.1)	(80.6 %)
Operating Income / (Loss)	(107.7)	(133.1)	(19.1 %)
Share of Profits/(Loss) of associates	8.1	6.0	34.9 %
Segment (Loss)	(99.6)	(127.1)	(21.7 %)

Sugarcane

In millions of Ps.	FY 2013	FY 2012	YoY var
Revenues	160.3	98.9	62.1 %
Costs	(302.2)	(167.9)	80.0 %
Initial recognition and changes in Fair value of biological assets and agricultural produce at the point of harvest	197.3	82.3	139.9 %
Gross Income	55.4	13.2	319.1 %
General and administrative expenses	(24.2)	(19.4)	24.4 %
Selling expenses	(4.0)	-	(100)%
Other operating results, net	-	-	-
Operating Income / (Loss)	27.2	(6.2)	538.8 %
Share of Profits/(Loss) of associates	-	-	-
Segment Income / (Loss)	27.2	(6.2)	538.8 %

During this season we expected better results; yet, weather conditions prevented us from reaching our projections. On the one hand, part our seeding was delayed due to excessive rainfall, leading to a reduction in planted area and yields. Besides, during the summer rainfall levels were lower than required, affecting the productivity of our crops. The lower production was offset by slightly higher prices.

Beef Cattle

Our beef cattle production involves the breeding and fattening of our own animals. In some cases, if market conditions are favorable, we also purchase and fatten beef cattle which we sell to slaughterhouses and supermarkets. As of June 2013, our beef cattle aggregated 57,209 heads, and we had a total surface area of 91,053 hectares of own and leased lands devoted to this business activity. In addition, we have leased to third parties 13,371 hectares assigned to these activities.

During the fiscal year ended June 30, 2013, our beef cattle activities generated sales of Ps. 76.7 million, representing 5.7% of our total consolidated sales from the agricultural business, and our production was 8,196 tons, a decrease of 12.1% compared to the previous fiscal year. This fall was mainly due to adverse weather conditions that affected our beef cattle's fattening capacity.

The following table sets forth, for the fiscal years indicated below, the beef cattle production volumes measured in tons:

	2009(1)	2010(1)	2011(1)	2012(1)	2013(1)
Beef cattle production (2)	7,112	3,153	6,519	9,329	8,196

(1) Does not include production from Agro-Uranga S.A.
(2) 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 beef cattle owned by us.

Management by lot in our pastures is aided by electrical fencing which may be easily relocated to supplement our land-rotation cycles. Our beef cattle herd is subject to a 160 kg to 360 kg fattening cycle by grazing in pastures located in our north farmlands, where conditions are adequate for initial fattening. For fattening above 360 kg, beef cattle are fattened in our San Luis feedlot until they reach 430 kg. The feedlot fattening system leads to homogeneity in production and beef of higher quality and tenderness because of the younger age at which animals are slaughtered.

Our beef 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 beef cattle are directly submitted to the fattening process. Upon starting this process, beef 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 beef 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 beef cattle raising farmlands 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 beef cattle stock is organized into breeding and fattening activities. The following table shows, for the fiscal years indicated, the number of head of beef cattle for each activity:

	2009(2)	2010(2)	2011(2)	2012(2)	2013(2)
Breeding (1)	59,283	61,859	50,430	42,109	35,743
Fattening	28,520	9,379	22,697	17,326	21,466
Total	87,803	71,238	73,127	59,435	57,209

(1) For classification purposes, upon birth, all calves are considered to be in the breeding process.
(2) Does not include heads of beef cattle from Agro-Uranga S.A.

We seek to improve beef 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 seeds for pasture (for instance, gatton panic, oats and barley) and crops for feeding and dietary supplementation purposes and animal health costs, among others.

Results

The following table shows this segment's results for the fiscal year 2013, compared to the previous fiscal year:

In millions of Ps.	FY 2013	FY 2012	YoY var
Revenues	76.7	132.3	(42.0 %)
Costs	(145.9)	(163.5)	(10.7 %)
Initial recognition and changes in Fair value of biological assets and agricultural produce at the point of harvest	79.3	79.0	0.4 %
Changes in the net realizable value of agricultural produce after harvest	-	0.1	(100 %)
Gross Income	10.0	47.9	(79.1 %)

General and administrative expenses	(12.8)	(14.9)	(14.2%)
Selling expenses	(10.9)	(11.6)	(5.4%)
Other operating results, net	(3.3)	(3.0)	9.1%
Operating (Loss)	(17.0)	18.4	192.2%
Share of profit/(loss) of associates	-	-	-
Segment (Loss)/income	(17.0)	18.4	192.2%

Milk Production

As of June 30, 2013, we conducted our milk business in the dairy facility located in "El Tigre" farmland in La Pampa, Argentina. We have a capacity of 2,392 cows in milking per day and seek to increase total productivity through the application of new technologies including improved genetic management for milk production, feeding strategic planning based on beef cattle specific requirements and the use of individual traceability to know the productivity history of each animal. Also we use computer science in milk business to make more efficient the manual labor by surveying the information supplied by the farmland.

Within the process of de-commoditization and technological innovation, we implemented an identification and tracing 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, average daily production per cow and our total milk production:

	2009(1)	2010(1)	2011(1)	2012(1)	2013(1)
Average dairy cows per day	3,286	3,297	2,816	2,046	2,392
Production (daily liters per cow)	17.4	18	19.1	22.9	20.4
Total production (thousands of liters)	20,898	21,690	19,605	16,563	18,459

(1) Does not include production from AgroUranga S.A.

At the closing of the fiscal year 2013, we had 6,529 heads of beef cattle on 2,780 hectares involved in the production of milk; whereas as of June 30, 2012, we had 6,184 heads of beef cattle on 3,022 hectares.

Results

The following table shows this segment's results for the fiscal year 2013, compared to the previous fiscal year:

In millions of Ps.	FY 2013	FY 2012	YoY var
Revenues	38.8	30.2	28.7 %
Costs	(74.8)	(57.8)	29.4 %
Initial recognition and changes in Fair value of biological assets and agricultural produce at the point of harvest	40.7	34.0	19.8 %
Gross Income	4.7	6.3	(25.3 %)
General and administrative expenses	(2.9)	(2.9)	(0.9 %)
Selling expenses	(1.7)	(1.2)	38.4 %
Other operating results, net	(0.7)	(0.6)	26.6 %
Operating (Loss)	(0.6)	1.6	139.9 %
Share of profit/(loss) of associates	-	-	-
Segment (Loss)/income	(0.6)	1.6	139.9 %

Agro-industrial

This segment consists in the fattening of beef cattle in feedlots for own or third-party slaughterhouses. Feedlot beef cattle breeding requires specific care and diets that differ from those applicable to natural grass-fed beef cattle breeding.

Our feedlot operations are developed through our subsidiary Cactus Argentina S.A. and take place in a 170-hectare farmland located in Villa Mercedes, Province of San Luis, which started to operate in September 1999. Cactus has been a pioneer in feedlot services with 18,000 heads of beef cattle capacity, depending on the size of the beef cattle.

Moreover, 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 beef cattle heads per month.

During the last years, the smaller supply of beef 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.

Since December 2011, the packing plant had remained closed due to the difficult situation experienced by the industry. With the support of the Provincial Government of La Pampa and the Federal Government, combined with Cresud's confidence that the business could be successfully resumed, in August 2012 the packing plant was reopened and restarted production.

Fiscal year 2013 has been a tough year for our agro-industrial segment due to the unfavorable market scenario. We expect it to improve in the next year and to be able to increase production levels and recover this segment's profitability.

Results

The following table shows this segment's results for the fiscal year 2013, compared to the previous fiscal year:

In millions of Ps.	FY 2013	FY 2012	YoY var
Revenues	207.8	100.1	107.6%
Costs	(198.4)	(110.8)	79.1%
Gross income / (loss)	9.4	(10.7)	-
General and administrative expenses	(11.0)	(7.4)	49.1%
Selling expenses	(21.5)	(7.6)	181.3%
Other operating results, net	(1.3)	0.1	-
Operating loss	(24.4)	(25.6)	(4.5%)
Share of profit/(loss) of associates	-	-	-
Segment loss	(24.4)	(25.6)	(4.5%)

Other Segments

Results

The following table shows this segment's results for the fiscal year 2013, compared to the previous fiscal year:

In millions of Ps.	FY 2013	FY 2012	YoY var
Revenues	83.3	55.1	51.3 %
Costs	(71.2)	(46.1)	54.5 %
Initial recognition and changes in Fair value of biological assets and agricultural produce at the point of harvest	(1.0)	0.1	-
Gross Income	11.1	9.0	23.1 %
General and administrative expenses	(7.1)	(4.9)	44.2 %
Selling expenses	(6.9)	(5.3)	30.0 %
Management fee	-	(8.7)	-
Other operating results, net	15.9	0.7	2,283.8 %
Operating Income / (loss)	13.0	(9.2)	-
Share of profit/(loss) of associates	1.1	(0.4)	-
Segment Income / (loss)	14.1	(9.6)	-

Leases and Agricultural Services

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 productive 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 farmlands for production of crops consist in lease agreements with payments based on a fixed amount of Pesos per hectare or crop sharing agreements ("aparcería") 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 beef 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 the fiscal year 2013, we leased to third parties a total of 78 fields, covering 60,685 hectares, including 7,699 hectares in Brazil. Out of the total leased area, 45,624 hectares were assigned to agricultural production, including double crops, and 12,635 hectares to beef cattle raising. The properties for agricultural production were leased, primarily, for a fixed price prior to harvest and only a small percentage consisted of crop sharing agreements.

The following table shows a breakdown of the number of hectares of leased land used for each of our principal production activities:

	2009	2010	2011	2012(1)	2013(1)
		(in hectares)			
Crops	59,615	42,696	52,205	42,515	45,492
Beef cattle	32,795	12,635	12,635	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.

We lease own farmlands to third parties for agriculture, beef cattle breeding and seed production, mainly in two types of farmlands. On the one hand, we lease our farmlands under irrigation in San Luis (Santa Bárbara and La Gramilla) to seed producers. These farmlands 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 farmlands recently put into production after agricultural development. In this way we manage to reduce our production risk, ensuring fixed rental income until the new farmlands reach stable productivity levels.

In addition, in this segment we include the irrigation service we provide to our own farmlands leased to third parties.

Results

The following table shows this segment's results for fiscal year 2013, compared to the previous fiscal year:

In millions of Ps.	FY 2013	FY 2012	YoY var
Revenues	30.8	25.3	21.8 %
Costs	(12.1)	(2.6)	369.5 %
Gross income	18.8	22.7	(17.5 %)
General and administrative expenses	(4.1)	(3.7)	11.2 %
Selling expenses	(1.5)	(1.3)	17.2 %
Other operating results, net	(1.0)	(0.7)	42.3 %
Operating income	12.1	17.0	(29.0 %)
Share of profit/(loss) of associates	-	-	-
Segment income	12.1	17.0	(29.0 %)

Acquisition, Sale and Transformation of Lands

Land Acquisitions

We intend to increase our farmland portfolio by acquiring large extensions of land with high appreciation or production potential. We also intend to transform the land acquired from non-productive to beef cattle breeding, from beef cattle breeding to farming, or applying 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. As a result of current technology, we may achieve similar yields with higher profitability than core areas; this may result in the appreciation of land values.

At present, prices of farmlands used in 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 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, beef 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 farmlands (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 the appreciation potential of the capital. 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.

On May 30, 2008, IRSA signed, as nominee, a bill of purchase with delivery of possession for 115 hectares of a portion of a farmland located in the District of Luján, Province of Buenos Aires. The transaction was agreed for a price of US$ 3.0 million, US$ 1.2 million of which were paid on that date.

On December 13, 2008, the Company was formally recognized as principal of the transaction; the balance of US$ 1.8 million will be paid by the Company upon execution of the title deed.

On September 5, 2008, we signed the title deed for the purchase of 10,910 hectares of "Estancia Carmen" farmland located in the Province of Santa Cruz. The transaction was agreed for a price of US$ 0.7 million, that was paid in full.

On July 28, 2008, we signed a bill of purchase for 4,566 hectares of "Las Londras" farmland located in the Province of Guarayos, Republic of Bolivia. The transaction was agreed for a price of US$ 11.4 million, which had been fully paid as of June 30, 2011.

On July 28, 2008, we signed a bill of purchase for 883 and 2,969 hectares of “San Cayetano” and “San Rafael” farmlands, respectively, located in the Province of Guarayos, Republic of Bolivia. The transaction was agreed for a price of US$ 8.8 million, which had been fully paid as of June 30, 2012.

On July 28, 2008, we signed a bill of purchase for 3,748 hectares of “La Fon Fon” farmland, located in the Province of Obispo Santiesteban, Republic of Bolivia. The transaction was agreed for a price of US$ 8.6 million, which had been fully paid as of June 30, 2012.

Following our expansion strategy at international level, during September 2008, we signed a bill of purchase for a 50% undivided interest in 41,931 hectares located in Mariscal José Felix Estigarribia, Department of Boquerón, Chaco Paraguayo, Republic of Paraguay, owned by Carlos Casado S.A., for a price of US$ 5.2 million, in order to contribute them to the new company recently organized (Cresca S.A.). The contribution was made on January 26, 2009, and the title deed to the property was executed on February 3, 2009.

On March 19, 2010, in connection with the option previously exercised with respect to the property, Cresca required Carlos Casado S.A. to transfer to it 3,614 hectares. As agreed in the Option Agreement, Cresca have to pay Carlos Casado S.A. US$ 350 per hectare. The last payment was made on March 4, 2011.

On June 2 and 8, 2011, the companies Yuchán Agropecuaria S.A. and Yatay Agropecuaria S.A. (bolivian related companies of cresud) entered into purchase agreements for two plots of land located in Santa Cruz, Bolivia, with a total surface area of approximately 5,000 hectares, to be allocated to agriculture.

The first plot is a farmland of approximately 2,660 hectares allocated to sugar cane production. Its purchase price was US$ 8.4 million. Upon the execution of the purchase agreement US$ 2 million were paid, and the balance is payable in four installments, the first of which installment was paid in July 2011 and the last one will be paid in October 2012.

The second purchase involves a farmland of approximately 2,340 hectares allocated to soybean production. Its purchase price was US$ 5 million, US$ 1.7 million of which has been paid already while the remaining balance is payable in four semi-annual consecutive installments, the first installment was paid in December 2011 and the last one will be paid in June 2013.

On March 2, 2011, we acquired, as co-owner, 40% of a rural property composed by thirteen plots of land located in the district of Perdriel, department of Luján de Cuyo, in the province of Mendoza. The purchase price for the 100% of the property was US$4.0 million which has been paid in full.

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

Fiscal Year	Number of Farmlands	Amount of Acquisitions (Ps. million)
1998 (1)	8	31.5
1999	-	-
2000	-	-
2001	-	-
2002	-	-
2003 (2)	1	25.0
2004	-	-
2005 (3)	2	9.3
2006 (4)	1	45.9
2007 (5)	1	7.3
2008 (6)	2	4.5
2009 (7)	7	133.2
2010 (8)	-	5.0
2011 (9)	3	61.5
2012	-	-
2013	-	-

(1) Includes the acquisition of "Ñacurutú," "Tapenagá," "Santa Bárbara" and "La Gramilla," "La Sofia," "La Suiza," "La Esme and "Tourné" farms of 30,350 hectares, 27,312 hectares, 7,052 hectares, 1,223 hectares, 41,993 hectares, 11,841 hectares and 19,614 hectares, respectively. It also includes the acquisition of "Las Vertientes" which is a silo plant.
(2) Includes the acquisition of "El Tigre" farm of 8,360 hectares.
(3) Includes the acquisition of "La Adela" and "El Invierno" farms of 72 hectares and 1,946 hectares, respectively.
(4) Includes the acquisition of "San Pedro" farm of 6,022 hectares.
(5) Includes the acquisition of "8 de Julio" farm of 90,000 hectares.
(6) Includes the acquisition of the remaining 25% of "La Adela" farm of 18 hectares and 80% of "La Esperanza" farm of 980 hectares.
(7) Includes the acquisition of "Estancia Carmen", "Puertas de Luján", "Las Londras", "San Cayetano", "San Rafael", and "La Fon Fon" farms and 50% of "Jerovia" farm, of 10,911, 115, 4,566, 883, 2,969, 3,748 and 20,966 hectares, respectively.
(8) Includes exercise of the option over 50% of the "Jerovía" farm of 3,646 hectares.
(9) Includes the acquisition of "La Primavera" and "4 Vientos" farms of 2,341 hectares and 2,659 hectares, respectively.

In addition, it includes the acquisition of 943 hectares of the Mendoza farm.

Farmland Sales

We periodically sell properties that have reached a considerable appraisal to reinvest in new farmlands 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, for the fiscal years indicated below, certain information concerning our land sales for each of the last 15 fiscal years ended on June 30:

Fiscal Year	Number of Farmlands	Gross Proceeds from Sales (Ps. million)	Profit/ (Loss) (1) (Ps. million)
1998 (2)	2	6.8	4.1
1999 (3)	2	27.8	9.4
2000	-	-	-
2001 (4)	2	9.0	3.0
2002 (5)	3	40.6	14.8
2003 (6)	2	12.0	4.9
2004 (7)	2	4.1	1.7
2005 (8)	2	29.8	20.0
2006 (9)	1	16.1	9.9
2007 (10)	3	29.9	22.3
2008 (11)	2	23.0	20.0
2009 (12)	2	2.0	1.9
2010 (13)	1	18.6	13.7
2011 (14)	2	84.5	54.6
2012 (15)	3	93.7	45.5
2013 (16)	4	332.6	149.6

(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 7,878 hectares of “Moroti” and “Santa Rita” farmlands.

(3) Includes the sale of “El Meridiano” and “Runciman” farmlands of 6,302 and 3,128 hectares, respectively.

(4) Includes the sale of “El Bañadito” and “Tourne” farmlands of 1,789 and 19,614 hectares, respectively.

(5) Includes the sale of “El Silencio”, “La Sofia” and “El Coro” farmlands of 397 hectares, 6,149 hectares and 10,321 hectares, respectively.

(6) Includes the sale of “Los Maizales” and “San Luis” farmlands of 618 and 706 hectares, respectively.

(7) Includes the sale of “41-42” farmland of 6,478 hectares and 5,997 hectares of IGSA’s land reserves.

(8) Includes the sale of “Ñacurutú” and “San Enrique” farmlands of 30,350 and 977 hectares, respectively. It also includes the results of the sale of a two-hectare parcel owned by IGSA.

(9) Includes the sale of “El Gualicho” farmland of 5,727 hectares.

(10) 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.

(11) Includes the partial sale of 4,974 hectares of “Los Pozos” farmland and the partial sale of 2,430 hectares of “La Esmeralda” farmland.

(12) Includes the partial sale of 1,658 hectares of “Los Pozos” farmland and the partial sale of 1,829 hectares of “El Recreo” farmland.

(13) Includes the sale of 12,071 hectares of “Tali Sumaj”.

(14) Includes the sale of “La Juanita” farmland, of 4,302 hectares, and the partial sale of 910 hectares of “La Fon Fon”.

(15) 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.

(16) 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.

On July 24, 2008, we signed the deed of sale for two parcels of "El Recreo" farmland (1,829 hectares), located in the Province of Catamarca. The transaction was agreed for a price of US$ 0.36 million, which was collected in full. This transaction generated a gain of US$ 0.3 million.

On April 7, 2009, we signed the deed of sale for 1,658 hectares of "Los Pozos" farmland located in the Province of Salta. The transaction was agreed for a price of US$ 0.5 million, that was collected in full. This transaction generated a gain of US$0.5 million.

On June 15, 2010, we signed the deed of sale of the “Tali Sumaj” farmland (12,701 hectares), located in the Province of Catamarca. The transaction was agreed for a price of US$ 4.8 million, that was collected in full.

As of the date of this annual report, the preliminary attachment levied in the matter of “EXAGRIND S.A.- Estancia San Rafael v. Tali Sumaj et al, on Damages” has not been released, we promised to take all actions available to obtain the release and/or the replacement of the attachment, and undertook to perform all obligations that might arise if an adverse judgment was entered against it and to bear all legal costs and further procedural expenses resulting from the entry of a final and conclusive judgment in the case. To such end, we delivered a performance bond for the benefit of the purchaser as security for its obligations.

On September 3, 2010, we signed the title deed of sale of the “La Juanita” farmland, located in the District of Trenque Lauquen, Province of Buenos Aires. The transaction was agreed for a total price of US$ 18 million, which have been fully paid. The result of the sale was a gain of approximately Ps.49.6 million.

In June, 2011, we agreed upon the sale of 910 hectares of “La Fon Fon” farmland, located in the Province of Obispo Santiesteban, Republic of Bolivia. This parcel of land was allocated to agriculture and its total agreed amount was US$ 3.6 million, equivalent to US$ 4,000 per hectare, which had been purchased in 2008 for a price of US$ 2,300 per hectare. We have received 80.0% of the purchase price and the balance will be collected in December 2013.

On September 28, 2011, Brasilagro sold the Sao Pedro farmland, a rural property located in the Municipality of Chapadão do Céu – GO with a total surface area of 2,447 hectares, including 1,724 hectares suitable for agriculture. The transaction price was R$ 23.3 million (equivalent to Ps. 59.8 million and 580,000 bags of soybean seeds). The result of the sale was a gain of Ps. 27.8 million.

The purchaser has paid the amount in Reais equivalent to 352,500 tons of soybean. The remaining balance is payable in three annual installments due on March 30 of each year, for an amount of 92,500 bags of soybean each.

On March 2, 2012, we agreed upon the sale of 1,194 additional hectares of "La Fon Fon" farmland for US$ 4.8 million, US$ 2.4 million of which have been collected. The balance will be payable in four semi-annual consecutive installments, which is due on November 30, 2013 and thereafter. Possession was surrendered on June 30, 2012. The result of the sale was a gain of Ps. 6.6 million.

On May 22, 2012, the Company sold, assigned and conveyed to APSA a 115-hectare plot of land that forms part of the property "Puerta de Luján" located in the District of Luján, Province of Buenos Aires, for a total amount of US$ 8.9 million (Ps. 15.5 million), which has been fully collected. The result of the sale was a gain of Ps. 11.1 million.

On October 11, 2012, our subsidiary Brasilagro announced the sale of Horizontina, a 14,359-hectare farmland located in the State of Maranhão. The transaction's total price was R$ 75.0 million, out of which R$ 27 million have been already collected. R$ 22.0 million were paid in January 2013 and R$ 3 million were collected in August 2013. As of June 30, 2012, the asset was valued at R$ 46.0 million. This transaction reflects a full development cycle, where the acquisition, development, production and sale stages generated an Internal Rate of Return (real estate + output) of approximately 27%. The result of the sale was Ps. 53.9 million less commission, expenses and taxes.

On April 25 2013, Brasilagro sold 394 hectares of Araucaria farmland which is located in the municipal district of Mineiros – GO. The total transaction amount was fixed in an amount of cash equivalent to 248,000 bags of soybean (amounting approximately R$ 11.7 million). From this amount an initial payment in cash equivalent to 36,000 bags of soybean was received, and the balance is payable in eight semi-annual installments, the first of which falls due in August 2013. We recognized a gain for the sale of Rs. 6.7 million (equivalent to Ps. 12.6 million).

On May 10, 2013, Brasilagro sold 4,895 hectares of Cremaq farmland which is located in the municipal district of Baixa Grande do Ribeiro – PI. The total transaction amount was fixed in an amount of cash equivalent to 901,481 bags of soybean (amounting to approximately R$ 42.1 million). From this amount, an initial payment in cash equivalent to 90,148 bags of soybean was received, and the balance is payable in five installments, the first of which falls due in August 2013. We recognized a gain for the sale of Rs. 26.5 million (equivalent to Ps. 53.2 million).

On June 19, 2013, Cresud executed with Vargas Derka SH a deed of sale of a parcel of the "La Suiza" farmland, consisting of 5,613 hectares allocated to beef cattle production, located close to the "Villa Angela" district, in the Province of Chaco. The remaining portion of such farmland is a 36,380-hectare parcel intended for mixed activities. The total transaction amount was US$ 6.7 million, which had been fully collected as of the date of execution of the title deed, generating a gain of Ps. 29.8 million.

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, 2013, we owned land reserves in the region extending over more than 339,226 hectares (after deducting the land reserves of the farms that have been sold during this fiscal year. For more information see "Acquisitions, dispositions and authorization pending approval"). In addition, we have a concession over 132,000 hectares, of which 112,747 are reserved for future development, and 19,253 are used for agricultural activities. This land reserves were purchased at very attractive prices and 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.

We conducted our land development business in Argentina mainly in our “Los Pozos” farmland in the Province of Salta. In fiscal the year 2013, we had 58,751 hectares in operation. During the fiscal year 2013, we developed 3,650 hectares intended for agricultural production and 1,705 hectares intended for beef cattle raising, reaching 58,714 hectares in operation.

Furthermore, during the fiscal year 2013 we continued with the development of 1,497 hectares intended for agriculture and 629 hectares intended for beef cattle raising at Agropecuaria ANTA S.A., whether through our own agricultural activities or by leasing lands to third parties thus we reached 21,947 hectares devoted to agricultural production.

In connection with our business in Paraguay, during the fiscal year 2013 Cresca S.A. made progress in the development of its farmlands, developing 937 hectares during 2013, and reaching an aggregate of 12,330 hectares in operation intended for agriculture and beef cattle breeding. For the next fiscal year, Cresca plans to continue to develop 1,000 hectares for agricultural production. Our developments in Brazil, through our subsidiary Brasilagro, consisted of 11,805 hectares of developed land.

Results

The following table shows this segment’s results for the fiscal year 2013, compared to the previous fiscal year:

In millions of Ps.	FY 2013		FY 2012		YoY var	
Revenues	-		-		-	
Costs	(5.7	)	(4.7	)	22.0	%
Gross Loss	(5.7	)	(4.7	)	22.0	%
Gain from disposal of farmlands	149.6		45.5		228.8	%
General and administrative expenses	(0.5	)	(0.5	)		
Selling expenses	(10.6	)	(1	)	(960.0	)%
Other operating results, net	(0.1	)	(0.1	)		
Operating Income	132.6		39.2		238.1	%
Segment Income	132.6		39.2		238.1	%

Farmland Portfolio

As of June 30, 2013, we owned, together with our subsidiaries, 32 farmlands, with a total surface area of 619,841 hectares.

The following table sets forth our exploited farmland portfolio as of June 30, 2013:

Use of Farmlands Owned and under Concession as of June 30, 2013

	Locality	Province	Date of Acquisition	Surface Area (has)	Main Business	Beef Cattle (has)	Sheep (has)	Milk (has)	Agriculture (has)	Beef cattle (Head)
La Adela	Lujan	Buenos Aires	Original	1,054	Agriculture				861	
El Recreo	Recreo	Catamarca	May 95	12,395	Natural woodlands					
Los Pozos	JV González	Salta	May 95	240,858	Beef cattle/ Agriculture/ Natural woodlands	46,979			11,772	28,548
San Nicolás (1)	Rosario	Santa Fe	May 97	1,431	Agriculture				1,331	
Las Playas (1)	Idiazabal	Cordoba	May 97	1,534	Agriculture/ Milk				1,493	
La Gramilla/ Santa Bárbara	Merlo	San Luis	Nov 97	7,072	Agriculture Under irrigation				3,897	
La Suiza(5)	Villa Angela	Chaco	Jun 98	41,993	Agriculture/ Beef cattle	36,694			3,893	18,677
La Esmeralda	Ceres	Santa Fe	Jun 98	9,370	Agriculture/ Beef cattle				8,430	
El Tigre	Trenel	La Pampa	Apr 03	8,360	Agriculture/ Milk			2,780	4,210	6,529
El Invierno	Rancul	La Pampa	Jun 05	1,946	Agriculture				1,844	
San Pedro	Concepción de Uruguay	Entre Rios	Sep 05	6,022	Agriculture	1,143			4,408	
8 De Julio/ Estancia Carmen	Puerto Deseado	Santa Cruz	May 07/ Sep 08	100,911	Sheep		85,000			8,869
Cactus Argentina	Villa Mercedes	San Luis	Dec 97	171	Feedlot	170				
Las Vertientes	Las Vertientes	Cordoba	Mar 98	4	Silo					
La Esperanza	Rancul	La Pampa	Mar 08	980	Agriculture				334	
Las Londras	Santa Cruz	Bolivia	Nov 08	4,566	Agriculture				3,892	
San Cayetano	Santa Cruz	Bolivia	Nov 08	883	Agriculture				862	
San Rafael	Santa Cruz	Bolivia	Nov 08	2,969	Agriculture				2,919	
La Fon Fon	Santa Cruz	Bolivia	Nov 08	1,643	Agriculture				1,643	
La Primavera	Santa Cruz	Bolivia	Jun 11	2,340	Agriculture				1,460	
Cuatro Vientos	Santa Cruz	Bolivia	Jun 11	2,658	Agriculture				1,943	
Jerovia (2)	Mariscal Estigarribia	Paraguay	Feb 09	22,789	Agriculture/ Natural	455			3,258	446

					woodlands					
Establecimiento Mendoza	Lujan de Cuyo	Mendoza	Mar 11	389						
Cremaq(7)	Baixa Grande Ribeiro/PI	Brazil	Oct 06	32,702	Agriculture				19,698	
Jatoba	Jaborandi/BA	Brazil	Mar 07	31,606	Agriculture				14,394	
Alto Taquari	Alto Taquari/MT	Brazil	Aug 07	5,186	Agriculture				3,084	
Araucaria(6)	Mineiros/GO	Brazil	Apr 07	9,682	Agriculture				5,106	
Chaparral	Correntina/BA	Brazil	Nov 07	37,182	Agriculture				10,261	
Nova Buruti	Januária/MG	Brazil	Dec 07	24,247	Forestry				0	
Preferencia	Barreiras/BA	Brazil	Sep 08	17,799	Beef cattle	5,892			200	
Horizontina(4)	Tasso Fragoso/MA	Brazil	Apr 10	14,359	Agriculture				7,161	
Subtotal Own (4) (5) (6) (7)				645,101		91,333	85,000	2,780	118,354	63,069
Agropecuaria Anta SA (3)	Las Lajitas	Salta		132,000					19,253	
Subtotal under Concession				132,000					19,253	
Total				777,101		91,333	85,000	2,780	137,607	63,069

(1) Hectares in proportion to our 35.723% interest in AgroUranga S.A.

Hectares in proportion to our 50.0% interest in Cresca S.A.

(2)

(3) Hectares under concession. Includes 13,605 hectares operated by third parties.

(4) Horizontina farmland was totally sold in October 2012.

(5) On February 1st, 2013, a fraction of 5,613 hectares of La Suiza farmland was sold.

(6) On May 6, 2013, Brasilagro informed the sale of 394 hectares of Araucaria farmland.

(7) On May 14, 2013, Brasilagro informed the sale of 4,895 hectares of Cremaq farmland.

La Adela

“La Adela” farmland is located 60 kilometers northwest of Buenos Aires, it is one of our original farmlands. In December 2001, the dairy facility was closed down, using its total surface area for crop production. Between March 2005 and December 2007 we bought 72 additional hectares which were added to the existing 982 hectares. During the fiscal year ended June 30, 2013, 861 hectares were used for corn and soybean crops.

El Recreo

“El Recreo” farmland, 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 farmland is maintained as a productive reserve.

Los Pozos.

The “Los Pozos” farmland, 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 beef 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, 2013, we used 6,849 hectares in agricultural production and 4,923 hectares intended for agriculture were leased to third parties. We completed the development of tropical pastures in almost 45,000 hectares. As of June 30, 2013, there were 28,548 heads of beef cattle in this farmland.

San Nicolás

“San Nicolás” is a 4,005-hectare farmland owned by AgroUranga S.A., and is located in the Province of Santa Fe, approximately 45 kilometers from the Port of Rosario. As of June 30, 2013, approximately 6,328 hectares were in use for agricultural production, including double crops. The farmland has two plants of silos with a storage capacity of 14,950 tons.

Las Playas

The “Las Playas” farmland has a surface area of 4,294 hectares and is owned by AgroUranga S.A. Located in the Province of Córdoba, it is used primarily for agricultural and milk production purposes. As of June 30, 2013, the farmland had a sown surface area, including double crops, of 5,683 hectares for grain production.

La Gramilla and Santa Bárbara

These farmlands have a surface area of 7,052 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 farmlands well suited for agricultural production after investments were made in the development of lands, wells and irrigation equipment. In the course of the 2012/2013 farm season, a total of 2,531 hectares were sown, 716 hectares of which were sown under contractual arrangements with seed producers, and we leased, in turn, 1,366 hectares to third parties. The remaining hectares are used as land reserves.

La Suiza

The “La Suiza” farmland has a surface area of 41,993 hectares and is located in Villa Ángela in the Province of Chaco. It is used for raising beef cattle. As of June 30, 2013, “La Suiza” had a stock of approximately 18,677 heads of beef cattle. During the 2012/13 season, we used 4,935 hectares for growing cotton, corn, soybean and sorghum and we leased to third parties 6,336 hectares allocated to beef cattle production. On June 19, 2013, we executed a deed of sale for 5,613 hectares for a total sale price of US$ 6.7 million, generating a gain of Ps. 29.8 million.

La Esmeralda

The “La Esmeralda” farmland has a surface area of 9,370 hectares and is located in Ceres in the Province of Santa Fe. This farmland, acquired in June 1998, has potential for both agricultural production and beef cattle raising. During the 2011/12 farm season, we used a total area of 9,802 hectares, including double crops, for production of corn, soybean, wheat, sunflower and sorghum. During the 2012/2013 season, we used a total area of 8,430 hectares, including double crops, for production of corn, soybean, sunflower and sorghum. During the 2012/13 season we leased to third parties 1,617 hectares intended for agricultural production.

El Tigre

The “El Tigre” farmland was acquired on April 30, 2003 and has a surface area of 8,360 hectares. This farmland 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, 2013, 4,210 hectares were assigned to crop production, including double crops. This farmland produced 18.4 million liters of milk in the fiscal year ended June 30, 2013, with an average of 2,392 cows being milked and an average daily production of 20.4 liters per cow.

El Invierno

The “El Invierno” farmland 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, 2013, we used the land exclusively for crop production and planted 1,844 hectares.

San Pedro

The “San Pedro” farmland 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 2012/2013 farm season, 4,408 hectares were used for agricultural production, including double crops, and 1,143 hectares were leased to third parties for livestock activities.

8 de Julio and Estancia Carmen

The “8 de Julio” farmland 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 farmland 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 farmland 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" farmland, and as the latter, it has excellent potential for sheep production. As of June 30, 2013, these farmlands had a stock of 8,869 sheep.

Cactus

The feedlot has a surface area of 170 hectares and is owned by Cactus Argentina S.A. It is located in Villa Mercedes, Province of San Luis. Cactus was a joint venture between us, Cactus Feeders Inc., one of the largest feedlot companies in the United States, and Tyson Foods, a leading beef and poultry meat processing company. The feedlot began to operate in September 1999. On June 30, 2009, Cactus Feeders Inc. sold its equity interest in Cactus Argentina S.A. On December 21, 2011, Cresud acquired Provemex Holding LLC (Tyson Foods)'s entire stake in Cactus Argentina S.A. As of June 30, 2013, our direct and indirect interest was 100%. As of the closing of the fiscal year 2013, Cactus had no beef cattle of its own.

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” farmland 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, 2013, we used this farmland solely for crop production.

Las Londras

On January 22, 2009, the bill of purchase for "Las Londras" farmland 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 2012/2013 farm season it was used for crop production.

San Cayetano

On November 19, 2008, the bill of purchase for "San Cayetano" farmland was cast into public deed. This farmland is located in the Province of Guarayos, Republic of Bolivia, and has a surface area of 883 hectares, which were used for crop production during the 2012/2013 farm season.

San Rafael

On November 19, 2008, the bill of purchase for "San Rafael" farmland was cast into public deed. This farmland 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 2012/2013 farm season.

La Fon Fon (I & II)

On November 19, 2008, the bill of purchase for "La Fon Fon" farmland was cast into public deed; it has a surface area of 3,748 hectares, and is located in the Province of Obispo Santiesteban, Republic of Bolivia. During the fiscal years 2011 and 2012 we sold “La Fon Fon II” farmland; therefore, at present we own a total area of 1,634 hectares corresponding to La Fon Fon I. During the 2012/2013 season, this farmland was used for crop production.

4 Vientos

On June 3, 2011, we executed the purchase agreement for the “4 Vientos” farmland, 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” farmland, with a surface area of approximately 2,340 hectares.

Jerovia

Cresca owns 50% of "Jerovia" farmland, located in Mariscal José Félix Estigarribia, Department of Boquerón, Chaco Paraguayo, Republic of Paraguay, with a surface area of 45,578 hectares. During the 2012/13 season 6,516 hectares were used for crop production and 910 hectares were used for beef cattle raising.

Establecimiento 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.

Cremaq

Cremaq was acquired in October 2006 for R$ 42 million. It is located in the State of Piauí, in the northeastern region of Brazil, close to the Itaqui Port, in the State of Maranhão. It has a surface area of 32,702 hectares, out of which approximately 19,698 hectares are used for agriculture. This farmland was fully transformed and allocated to agriculture.

In May 2013, the sale of 4,895 hectares (approximately 3,201 of which are used for agriculture) was agreed upon for a total price of R$ 42.1 million. We recognized a gain for the sale of Rs. 26.5 million (Ps. 53.2 million).

Jatobá

Jatobá is a farmland in the northeastern region of Brazil, with a total surface area of 31,606 hectares, 14,394 of which are intended for agriculture. Jatobá was acquired in March 2007 for R$ 33 million. We consider that this farmland 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 farmland located in the municipal district of Mineiros, in the State of Goiás, and it has a total surface area of 9,682 hectares. Araucaria was acquired in 2007 for R$ 70.4 million. Before we purchased it, Araucária had been used for grain planting. The farmland was transformed, and at present it is planted with sugarcane.

In May 2013, an area of 394 hectares (310 of which are used for agriculture) was sold. The sale price was R$ 11.7 million. We recognized a gain for the sale of Rs. 6.7 million (Ps. 12.6 million).

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 5,186 hectares, 3,084 of which are used for agriculture. The farmland was acquired in August 2007 for R$ 33.2 million. Before we purchased it, the farmland was used for agriculture and beef cattle raising. Following its transformation, it is being used for sugarcane production.

Chaparral

Chaparral is a 37,182-hectare farmland, with 10,261 hectares used for agriculture. It is located in the municipal district of Correntina, State of Bahia. The farmland was acquired in November 2007 for R$ 47.8 million.

Nova Buriti

Located in the municipal district of Januária, State of Minas Gerais, Nova Buriti has a surface area of 24,247 hectares, 19,004 of which are used for forestry. Nova Buriti was acquired in December 2007 for R$ 21.5 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, 200 of which are used for agricultural activities. It was acquired for R$ 10.1 million in September 2008. The farmland is being transformed into a pasturing area and will be later developed for agricultural purposes. At present, 5,892 hectares are leased and destined to beef cattle raising.

Horizontina

Horizontina is located in the municipal district of Tasso Fragoso, in the State of Maranhão. It has a total surface area of 14,359 hectares, 7,161 of which are used for agriculture. Horizontina was acquired for R$ 38 million in April 2010. It was then transformed and sold in October 2012 for R$ 75 million. On October 11, 2012 Brsilagro sold this farmland. We recognized a gain for the sale of Ps. 53.9 million.

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 productive 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 farmlands for production of crops consist in lease agreements with payments based on a fixed amount of Pesos per hectare or crop sharing agreements (“aparcería”) 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 beef 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 the fiscal year 2013, we leased to third parties a total of 78 fields, covering 60,685 hectares, including 7,699 hectares in Brazil. Out of the total leased area, 45,624 hectares were assigned to agricultural production, including double crops, and 12,635 hectares to beef cattle raising. The properties for agricultural production were leased, primarily, for a fixed price prior to harvest and only a small percentage consisted of crop sharing agreements.

The following table shows a breakdown of the number of hectares of leased land used for each of our principal production activities:

	2009	2010	2011	2012(1)	2013(1)
			(in hectares)		

Crops	59,615	42,696	52,205	42,515	45,624
Beef cattle	32,795	12,635	12,635	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.

Storage Facilities

As of June 30, 2013, we had storage capacity of approximately 105,541 tons (including 35.723% of the storage capacity of over 14,950 tons available at AgroUranga S.A.).

The following table shows, for the fiscal years presented, our storage facilities:

	2009	2010	2011	2012(2)	2013(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	-	-	-	90,200	90,200
Total	15,341	15,341	15,341	105,541	105,541

(1) Owned by us through AgroUranga S.A. (which represents 35.723% of the total capacity).
(2) Includes Brasilagro.

Land Management

In contrast to traditional Argentine farmlands, run by families, we centralize policy making in an Executive Committee that meets on a weekly basis in Buenos Aires. Individual farmland management is delegated to farmland managers who are responsible for farmland 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 beef 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 farmland 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 beef cattle herds, irrigation equipment and machinery, among other things.

Principal Markets

Crops

Our crop production is entirely sold in the local market. The prices of our grains are based on the market prices quoted in Argentine grains exchanges such as the Bolsa de Cereales de Buenos Aires and the Bolsa de Cereales de Rosario that take as reference the prices in international grains exchanges. 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.

Beef 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 Province 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.

Milk

During the fiscal year 2013 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 2013 our sales from the agribusiness segment (excluding sales of farmlands) were made to approximately 500 customers. Sales to our ten largest customers represented approximately 45% to 50% of our net sales. Of these customers, our biggest three customers were Bunge Alimentos S.A., Brenco Companhia Brasileira de Energia Renovável and Molinos Río de la Plata S.A. 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 Bolsa de Cereales de Buenos Aires (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. On the other hand, in Brazil we have a total storage capacity of 88,500 tons.

Beef 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., Quickfood S.A., Friar S.A., Frigorífico Forres Beltrán S.A., Madelán S.A., Frigorífico Bermejo S.A., Frigorífico Amancay S.A., Colombo y Colombo S.A., Iván O’Farrell S.R.L. and José A. Llorente 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 do not pay commissions on our transactions.

Supplies

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 grains (corn, soybean and sunflower) in general take place from February to June. Wheat is harvested from December to January. 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 April and October, while wheat and sunflower are harvested during August and September, respectively. Other segments of our activities, such as our sales of beef 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.

Our Investments

Agricultural Business

Brasilagro Companhia Brasileira de Propriedades Agrícolas

Brasilagro was created in September 2005 in order to replicate our business in Brazil. Brasilagro is engaged mainly in two business segments: (i) sugar cane and (ii) crops and cotton.

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.

Part of the knowledge and experience required to implement BrasilAgro's proposed business plan was initially provided pursuant to a consulting agreement with Paraná Consultora do Investimentos S.A., a special purpose advisory company, 50% owned by Tarpon BR, 37.5% owned by Consultores Assets Management, a company controlled by Mr. Eduardo Elsztain, and 12.5% owned by Mr. Alejandro Elsztain. In February 2011, the consulting agreement was terminated.

On May 2, 2006, Brasilagro's shares were listed in 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 book-entry common shares at a price of R$ 1,000 per share of Brasilagro. In November 2012, Brasilagro's shares became listed as level II ADRs on the NYSE, under the ticker symbol LND.

In addition, as is customary in the Brazilian market, Brasilagro had an option to increase the size of the issue by 20% and Banco de Investimentos Credit Suisse (Brazil) S.A. had another option to increase it by 15% (Green shoe). Given the high demand shown by the placement, both Brasilagro and Banco de Investimentos Credit Suisse (Brazil) S.A. exercised such options increasing the placement up to 583,200 shares equivalent to R$ 583.2 million, which were fully placed and paid in.

In addition to the funds we originally contributed, 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 July 22, 2010, the board of directors of Brasilagro approved the proposal to terminate the consulting services agreement executed with Paraná Consultora de Investimentos S.A.

On October 20, 2010 and on December 23, 2010, we and Tarpon executed two addenda 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, we own 20,883,916 shares or 39.64% 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 168,902 Brasilagro's first issuance warrants and 168,902 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 BM&FBOVESPA'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. As of June 30, 2012 the option expired and as a result we are the owners of 39,64% of Brasilagro's outstanding capital stock.

On June 27, 2012, together with Mr. Elie Horn and Cape Town Llc. we agreed to terminate the shareholders' agreement.

As concerns its portfolio as of June 30, 2013, Brasilagro had 7 properties, with an aggregate surface area of 153,116 hectares, acquired at highly attractive prices as compared to the average in the respective regions, all of which offering high appreciation potential.

Property	Province	Surface area (in hectares)	Main Activity	Purchase Price (R$ MM)
Cremaq Farmland(1)	Baixa Grande Ribeiro/PI	27,807	Crops	$R 42.00
Jatobá Farmland	Jaborandi/BA	31,606	Crops and Cotton	$R 33.00
Alto Taquari Farmland	Alto Taquari/MT	5,186	Sugar cane	$R 33.20
Araucária Farmland (2)	Mineiros/GO	9,288	Sugar cane	$R 70.40
Chaparral Farmland	Correntina/BA	37,183	Crops and Cotton	$R 47.80
Nova Buriti Farmland	Januária/MG	24,247	Forest	$R 21.50
Preferência Farmland	Barreiras/BA	17,799	Cattle	$R 9.50
	Total	153,116		$R 257.40

(1) On May 14, 2013, Brasilagro announce the sale of 4,895 hectares.

(2) On May 6, 2013, Brasilagro announce the sale of 394 hectares.

Cremaq is a farmland in Baixa Grande do Ribeiro (Piaui). Acquired for R$ 42 million and with a surface area of 32,702 hectares, it is estimated that the total production area will be 21,800 hectares. The farmland is close to the Itaqui Port and to the Norte-Sul railway. Weather and topographic conditions in the area are quite suited to soybean, corn and cotton crops. This property has also been bought for a value lower than average in the region and it offers major appreciation potential. During the 2012/13 season, 20,697 hectares were used for crop production, including double crops. On May 14, 2013 it was announced the sale of 4,895 hectares.

Jatobá is a farmland located in the Jaborandi district, in the State of Bahía. The acquisition price was R$ 33 million and it has 31,606 hectares. It is estimated that the total production area will be 24,250 hectares. During the 2012/13 season, 10,943 hectares were used for crop production.

Alto Taquarí is a farmland with a total area of 5,186 hectares, and it is located in the municipality of Alto Taquarí, Mato Grosso. This property was purchased for R$ 33.2 million. Its estimated production area is 3,666 hectares. Alto Taquarí executed an agreement with ETH Bioenergía for supplying sugar cane during two full cycles (six harvesting years, including five harvests).

Araucária is a farmland which has a total area of 9,682 hectares, and is located in the municipality of Mineiros, Goiás. The production area is estimated at 7,205 hectares. Araucária executed an agreement with ETH Bioenergía for supplying sugar cane during two full cycles (six harvesting years, including five harvests). 100% of the area is planted with sugar cane, totaling 5,428 hectares.On May 6, 2013 it was announced the sale of 394 hectares.

Chaparral is a farmland located in Correntina, Bahía. This farmland has a surface area of 37,182 hectares and was purchased for R$ 47.8 million. Its potential production area is 27,400 hectares and Brasilagro has harvested 9,054 hectares of soybean and 1,106 hectares of cotton.

Nova Buriti is a farmland with a total surface area of 24,247 hectares, and it is located in the municipality of Januaria, Minas Gerais. With a production area estimated at 19,000 hectares, it will be used for forestry activities. At present, Brasilagro is awaiting the licenses required to start operating this farmland.

Preferencia is a 17,799-hectare farmland located in the municipality of Barreiras, Bahía. The purchase transaction was closed in September 2008 and it was agreed for a price of R$ 500.0 per hectare. This property has good conditions for cattle breeding and crops growing. We have 4,200 hectares of pastures.

Futuros y Opciones.Com S.A.

In May 2000, we acquired 70% of the shares of FyO S.A. ("Futuros y Opciones.Com") for Ps. 3.5 million. The site was launched in November 1999 and was aimed at becoming the most important agriculture business community in Latin America. Futuros y Opciones.Com launched its e-commerce strategy in March 2001, in order to sell products, buy inputs, arrange loans, and obtain insurance, among other things. Currently, the main activity of Futuros y Opciones.Com is crops brokerage.

The areas with the greatest potential for growth are: input commercialization and grain brokerage. Regarding input commercialization, the business volume was concentrated in a small number of suppliers, the agreements with the suppliers were improved in order to increase the margin of the business, and contracts of direct distribution were achieved. In terms of cereals, the crops trading unit was created, with the purpose of participating directly in the business by trading and offering services.

During the fiscal year 2007, Futuros y Opciones.Com started to trade futures and options: it acquired a share in the Buenos Aires futures and options exchange market (Mercado a Término de Buenos Aires) and has also become a dealer. The service consisting in hedging with futures has consolidated into an essential tool for our customers to manage their price risks.

Futuros y Opciones.Com is committed to excellence through quality and continued improvement. For this reason, since 2008 all its business and administrative processes have been certified under ISO 9001:2008 standards.

As of June 30, 2013, our interest in Futuros y Opciones.Com was 60.50%.

As of the end of fiscal year 2013, the company's total revenues from its crops brokerage business unit were Ps. 30.3 million with a trading volume of 1.9 million tons, 15% higher than the volume traded in the fiscal year 2012 and thus accumulating a 135% growth in the last 4 years. The main crops traded were corn and soybean, and to a lesser extent, wheat and sunflower.

The portal fyo.com has reached its thirteenth anniversary, consolidating as the benchmark site for agricultural marketing and adding year after year new and significant agricultural customers of various sizes to its user community. At the closing of this fiscal year, it has reached over 860,000 visits per month. Plans are being made for relaunching the website with revamped features during the coming fiscal year.

Futuros y Opciones.Com's goal is to continue consolidating itself as leading company in the crops brokerage business, standing out from its competitors by offering a full suite of advisory services to its clients and contributing its broad experience in the industry along with its staff's expertise.

On September 19, 2013, FyO paid a cash dividend of Ps. 1.28 million, and regarding our interest in such subsidiary we received a total amount of Ps. 0.78 million

Cactus

Cactus was initially a joint venture between Cresud and Cactus Feeders Inc., one of the largest feedlot companies in the United States. The site of the joint venture's operations is a 170 hectare farmland in Villa Mercedes, in the Province of San Luis, which began operations in September 1999.

During the fiscal year 2007, Cactus entered into a joint venture with Tyson Foods, Inc ("Tyson"), a leading meat processing company, pursuant to which Tyson, through Provemex Holdings LLC ("Provemex"), acquired a 52% equity interest in Cactus to establish the first integrated cattle operation in Argentina. Consequently, the stock holdings of Cactus Feeders, Inc. and Cresud in Cactus were reduced to 24% each.

On January 11, 2007, Cactus and us (solely as nominee for Argentine legal purposes) acquired 100% of the shares of Sociedad Anónima Carnes Pampeanas S.A. (previously named Exportaciones Agroindustriales Argentinas S.A.) ("SACP"). SACP owns a meat packing plant in Santa Rosa, Province of La Pampa, with capacity to slaughter and process approximately 9,500 cattle heads per month. Cactus has been a pioneer in feedlot services with a 25,000 heads of cattle capacity, depending on the size of the cattle. Cactus' customer base changed during recent years, as many companies related to the beef sector bought calves to be fed at the feedlot. To assure themselves a constant supply of high quality beef, these companies keep an inventory of cattle on feed.

On June 30, 2009, we entered into a shareholders' agreement with Cactus Feeders for the purchase of its 24% interest in Cactus and 0.24% interest of SACP. The agreed purchase price was US$ 2.4 million. At the same time, our Company and Tyson made contributions to Cactus in the amount of US$ 2.4 million and US$ 2.6 million, respectively. As a consequence of the transaction, we increased our interest in Cactus to 48%.

On December 23, 2010, in order to provide Cactus with funds to satisfy its capital requirements, we made a capital contribution of US$ 4.0 million. Therefore, we increased our equity interest in Cactus from 48% to 80%. The remaining 20% were held by our partner Tyson. As part of this transaction, Tyson and us decided to introduce certain amendments to the shareholders' agreement, and in this context we granted a put option to Tyson in respect of its 20% interest in Cactus.

On December 21, 2011, Cresud purchased from Provemex, Tyson's subsidiary, its entire equity interest in both Cactus and SACP. Therefore, as from such date, Cresud holds 100% of the stock capital and voting rights in Cactus and SACP.

The feedlot cattle beef production is processed in SACP's packing plant for the domestic and foreign markets. Feedlot fattening with a corn-based diet has been growing at a very dynamic pace. The company has gained market reputation thanks to the uniform final product offered by feedlot-finished animals, which provides purchasers with high-quality products and higher yields, succeeding in offering differential sales prices. Cactus continues to receive cattle from farmers that repeat their productive process whereby they breed and re-breed their animals in their own farmlands and slaughter them at Cactus.

The decrease in supply has adversely affected the value chain by reducing cold-storage plant utilization, which in turn has left several plants struggling to remain operational in view of the poor returns and shortage of raw materials. Our investment in SACP has not escaped unscathed of this situation.

Since December 2011, the packing plant has remained closed due to the difficult situation within the industry. With the support of the Provincial Government of La Pampa and the Federal Government, combined with Cresud's confidence that the business could be successfully resumed, in August 2012 the packing plant was reopened and restarted production.

Fiscal year 2013 has been a tough year for our Agro-industrial segment due to the unfavorable market scenario. We expect it to improve in the next year and to be able to increase production levels and recover this segment's profitability.

AgroUranga S.A. ("Agro Uranga")

We have a 35.72 % interest in Agro Uranga. This company optimizes production processes and has obtained excellent results, with special emphasis in soil conservation, the application of rational techniques and care of the environment.

Agro Uranga S.A. has two farmlands: Las Playas and San Nicolás, with a combined area of 8,305 hectares, located in the core region of the Pampas prairies.

Agro Uranga's crop production revenues are derived in the following way: 40% of the revenues from Agro Uranga's crop production derives from its special products division, including popcorn, chickpea, peas and lentils, whereas the remaining 60% derives from commodities, such as soybean, corn and wheat.

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.

Expansion in Paraguay

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. 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.

We entered into a promise 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 S.A., 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 S.A., the total value of the contributions in Cresca is US$10.5 million. In addition, Cresca has an option granted by Carlos Casado S.A. 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 (Call Option Agreement) 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.

During the fiscal year 2012 Cresca added 1,347 hectares to the area under operation and expects to add 3,187 more hectares during the next season. As of June 30, 2012, Cresca had 1,084 hectares intended for beef cattle, 8,378 hectares intended for agriculture and 36,116 hectares of natural woodlands for future developments.

During the fiscal year 2013 Cresca added 937 hectares to the area under operation and expects to add 1,000 more hectares during the next season. As of June 30, 2013, Cresca had 12,330 hectares intended for agriculture and beef cattle.

Expansion in the Republic of Bolivia and the Oriental Republic of Uruguay

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 and have acquired a company in the Republic of Uruguay.

For such purposes, the following companies were incorporated: Agropecuaria Acres del Sud S.A, Ombú Agropecuaria S.A., Yatay Agropecuaria S.A and Yuchan Agropecuaria S.A. The preceding Bolivia-based companies acquired land for agricultural operations. We maintain a 100.00% 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., 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. We have already paid 43% of the agreed price of US$17.5 million. The remaining balance was payable in two annual installments: the first one was paid during the 2010 fiscal period, and the second one was paid in the fiscal year 2011.

On January 22, 2009, we executed a deed of purchase for 4,566 hectares in Las Londras farmland, located in the Province of Guarayos, 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 the fiscal year 2011.

During the 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, 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.

(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, in June, 2011, we agreed upon the sale of 910 hectares of “La Fon Fon” farmland for US$ 3.6 million. We have received 80.0% of the purchase price and the balance will be collected in December 2013. Afterwards, on March 2, 2012, we agreed upon the sale of 1,194 additional hectares of “La Fon Fon” farmland for US$ 4.8 million, US$ 2.4 million of which have been collected. The balance will be payable in four semi-annual consecutive installments, which is due on November 30, 2013 and thereafter. Possession was surrendered on June 30, 2012.

Urban properties and investment business

Please see our “Urban properties and investment business” overview, below for a more details.

Regulation and Government 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 Code and local customs.

According to the Law No. 13,246, as amended, 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, as amended, 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 will be terminated.

Quality control of Grains and Beef cattle

The quality of the grains and the health measures of the beef cattle are regulated and controlled by the Servicio Nacional de Sanidad y Calidad Agroalimentaria ("SENASA"), which is an entity within the Ministry of Agriculture, Livestock and Fishing and Production ("Ministerio de Agricultura, Ganaderia y Pesca") that oversees 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 Beef cattle

Even though the sale of beef cattle is not specifically regulated, general contract provisions are applicable. Further, every province has its own rural code regulating the sale of beef cattle.

Argentine law establishes that the transportation of beef cattle is lawful only when it is done with the respective certificate that specifies the relevant information about the beef 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

The Ministry of Agriculture, Livestock and Fishing oversees the farming and animal sanitary activities and controls the distribution of the annual regular quota of top quality chilled beef without bones, the "Cuota Hilton." The destination of the Cuota Hilton is the European Union.

In August 2013, the Secretaria de Agricultura Ganadería Pesca y Alimentos granted to our subsidiary EAASA 916.69 tons to export beef under the authorized quotas, known as Cuota Hilton. As of the date of these annual report, such quotas have not been modified

Environment

The development of our agribusiness depends on a number of federal, state 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. Based on the Argentine Criminal Code, persons (including directors, officers and legal entity managers) 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 utilized 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 notices 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 restriction on entering into contracts with public entities.

The Forestry Legislation of Argentina prohibits the devastation of forest and forest land, 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, 2013, we owned land reserves in excess of 357,505 hectares, which are located in under-utilized areas where agricultural production is not yet fully developed. 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 completely 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, to the extent allowed. 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 cultivation of genetically modified organisms is subject to special laws and regulations and specific authorizations.

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 deforestation of native forests or converting non-forested areas in forested land for other commercial uses without prior permission from each local government that gives the permit and requires the preparation, appraisal and approval of a report environmental impact. The Forest Law also provides that each province should adopt its own legislation and its map of regional order within one year. During the time that such an implementation requires provincial new clearing will be authorized a plan for implementation within one year and not allow any deforestation during this period of one year. 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.

Our activities are subject to a number of national, provincial and municipal environmental provisions. 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 restore 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 fix specific standards and regulatory provisions.

On November 6, 2009, the Argentine Congress passed Law No. 25,675. The 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, the 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 a compensation in lieu thereof. The Law also fosters environmental education and provides for certain minimum reporting obligations to be fulfilled by natural and artificial persons.

In accordance with the Rules of the CNV (as defined herein below), the issuers involved in activities which may have an impact on the environment have to comply with certain disclosure requirements in order to inform its investors, shareholders and the general public about the fulfillment of the current environmental regulations.

One of our goals is that business be conducted consistently with environmental laws and regulations at all times.

Property and Transfer Taxes

Value Added Tax. Under Argentine law, the sale of beef cattle and grains are taxable at a rate equal to 10.5% of the sale price. The sale of milk is taxable at a rate equal to 21%. The sale of land is not taxable.

Gross Sales Tax. A local transfer tax is imposed on the sale price of beef cattle, grains and milk at a general rate of 1%. In some provinces the sale of 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 acts validated by 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.).

In the City of Buenos Aires (federal district) the stamp tax only applies to public deeds for the transfer of real estate, or for any other contract whereby the ownership of real property is transferred and commercial leases. The purchase and sale of real estate through public deed is not taxable if the real estate will be used for housing. In the City of Buenos Aires the tax rate is 2.5%. In the Province of Buenos Aires, the tax rate is 3% for public deeds of transfer of real property.

Antitrust Law. Law No. 25,156, as amended, prevents anticompetitive practices and requires administrative authorization for transactions that according to the Antitrust Law would lead to market concentration. According to this law, such transactions would include 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. Whenever such a transaction involves a company or companies with accumulated sales volume greater than Ps.200.0 million in Argentina, then the respective transaction should be submitted for approval to the Antitrust Authority (Comisión Nacional de Defensa de la Competencia, or “CNDC”). The request for approval may be filed, either prior to the transaction or within a week after its completion.

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When a request for approval is filed, the Antitrust Authority 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 are exempted from the administrative authorization. Notwithstanding the foregoing, when all transactions effected in the last twelve months exceed in total Ps.20.0 million or in total Ps.60.0 million in the last 36 months, these transactions must be notified to the Antitrust Authority.

As our and IRSA's consolidated annual sales volume exceeds Ps.200.0 million, we should give notice to the Antitrust Authority of any transaction within the scope of the Antitrust Law.

Urban properties and investment business

Our Principal Urban Properties and Investment Business

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

- the acquisition, development and operation of shopping centers, including consumer financing activities,
- the development and sale of residential properties,
- the acquisition and development of office and other non-shopping center properties primarily for rental purposes,
- the acquisition and operation of luxury hotels,
- the acquisition of undeveloped land reserves for future development and sale, and
- selected real estate investments outside Argentina.

Business Strategy

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

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

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

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

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

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

International. In this segment, we seek investments that represent an opportunity of capital appreciation potential in the long term. After the international financial crisis in 2008, we took advantage of the price opportunity in the real estate sector in the United States and invested in two office buildings in Manhattan, New York. We have recently increased our interest to 74.5% of the office building located at 183 Madison Avenue in the City of New York. We also have a 49.87% 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 34% of Supertel Hospitality Inc. voting rights (NASDAQ: SPPR) and we have recently sold our almost entire share in Hersha (NYSE: HT), which holds a controlling interest in 65 hotels in the United States, totaling around 9,616 rooms. As of June 30, 2013, we held a 0.49% stake in the company. We intend to continue evaluating -on a selective basis- investment opportunities outside Argentina as long as they offer attractive investment and development options.

Financial Operations and Other. We currently plan to keep our investment in Banco Hipotecario, as we believe that Argentina has a low level of outstanding mortgages measured in terms of GDP and as a result, our investment in Banco Hipotecario is interesting in the long term.

Shopping Centers

We are engaged in purchasing, developing and managing shopping centers through our subsidiary, Alto Palermo. As of June 30, 2013, Alto Palermo operated and owned majority interests in thirteen shopping centers, six of which are located in the City of Buenos Aires (Abasto, Paseo Alcorta, Alto Palermo, Patio Bullrich, Buenos Aires

Design and Dot Baires Shopping), two of which are located in the greater Buenos Aires (Alto Avellaneda and Soleil Factory) metropolitan area and the other ones are located in the Argentine provinces: Alto Noa in the City of Salta, Alto Rosario in the City of Rosario, Mendoza Plaza in the City of Mendoza, Córdoba Shopping Villa Cabrera in the City of Córdoba and La Ribera Shopping in the City of Santa Fe.

As of June 30, 2013, IRSA owned 95.69% of Alto Palermo. The remaining shares are held by the investor public and traded on the Bolsa de Comercio de Buenos Aires and the related ADRs are listed and traded on the Nasdaq National Market (USA) under the symbol "APSA."

As of June 30, 2013, Alto Palermo's shopping centers comprised a total of 308,793 square meters of gross leaseable area (excluding certain space occupied by hypermarkets which are not Alto Palermo's tenants). For the fiscal year 2013, the average occupancy rate of Alto Palermo's shopping center portfolio was approximately 99.1%.

We centralized management of our shopping centers in Alto Palermo, 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 Alto Palermo subsidiary's shopping centers as of June 30, 2013:

	Date of Acquisition	Leaseable Area sqm (1)	APSA's Interest (3)		Occupancy Rate (2)		Accumulated Annual Rental Income as of fiscal year ended 2013	2012	Book Value (in thousands of Ps.) (4)
Shopping Centers (5)									
Alto Palermo	11/97	18,690	100.0	%	98.4	%	269,921	220,714	233,937
Abasto Shopping (6)	07/94	37,708	100.0	%	99.8	%	274,018	222,314	318,855
Alto Avellaneda	11/97	36,943	100.0	%	99.9	%	190,470	159,309	146,428
Paseo Alcorta	06/97	14,141	100.0	%	99.8	%	126,950	101,018	121,424
Patio Bullrich	10/98	11,683	100.0	%	99.7	%	103,159	90,086	114,564
Alto Noa Shopping	03/95	19,141	100.0	%	99.7	%	47,047	39,300	36,703
Buenos Aires Design	11/97	13,746	53.7	%	99.0	%	42,432	36,361	18,512
Alto Rosario Shopping (6)	11/04	27,691	100.0	%	97.1	%	123,510	97,656	128,774
Mendoza Plaza Shopping	12/94	42,238	100.0	%	97.7	%	101,419	81,822	115,480
Dot Baires Shopping	05/09	49,719	80.0	%	99.4	%	189,271	150,503	472,325
Córdoba Shopping Villa Cabrera	12/06	15,106	100.0	%	100.0	%	58,359	47,160	65,820
Soleil	07/10	13,609	100.0	%	100.0	%	45,039	34,564	91,690
La Ribera Shopping	08/11	8,378	50.0	%	97.7	%	11,910	3,833	18,123
GENERAL TOTAL		308,793			99.1	%	1,583,505	1,281,640	1,882,635

Notes:
(1) Total leaseable area in each property. Excludes common areas and parking spaces.-
(2) Calculated dividing occupied square meters by leaseable area on the last day of the period.-
(3) APSA's effective interest in each of its business units. IRSA has a 95.69% interest in APSA.-
(4) Cost of acquisition plus improvements, less accumulated depreciation, plus adjustment for inflation, less allowance for impairment in value, plus recovery of allowances, if applicable. Does not include works in progress.
(5) Through Alto Palermo S.A.
(6) Excludes Museo de los Niños (3,732 in Abasto and 1,261 in Alto Rosario).-

Tenants' Retail Sales(1)

The following table sets forth the total approximate tenant retail sales in Pesos at the shopping centers in which Alto Palermo had an interest for the periods shown below:

	2013 (in thousands of Ps.)	2012 (in thousands of Ps.)	Var	
Alto Palermo	1,609.8	1,304.6	23.4	%
Abasto Shopping	1,939.0	1,537.3	26.1	%
Alto Avellaneda	1,868.8	1,466.9	27.4	%
Paseo Alcorta	822.7	667.8	23.2	%
Patio Bullrich	548.3	498.5	10.0	%
Alto Noa Shopping	609.2	500.4	21.7	%
Buenos Aires Design	241.5	235.8	2.4	%
Alto Rosario Shopping	1,060.2	825.2	28.5	%
Mendoza Plaza Shopping	1,206.7	929.1	29.9	%
Córdoba Shopping	432.9	340.3	27.2	%
Dot Baires Shopping	1,566.6	1,271.2	23.2	%
Soleil	366.4	254.1	44.2	%
La Ribera Shopping (3)	209.9	135.2	55.3	%
Total Sales (2)	12,482.0	9,966.4	25.2	%

Notes:

(1) Retail sales based upon information provided to us by retailers and past owners. The amounts shown reflect 100% of the retail sales of each shopping center, sales of each shopping center, although in certain cases we own less than 100% of such shopping centers.

(2) Excludes sales from the booths and spaces used for special exhibitions.

(3) Includes income since its acquisition in August 2011.

Expiration of lease agreements

The following table shows a schedule of lease expirations for our shopping center properties in place as of June 30, 2013, assuming that none of the tenants exercise renewal options or terminate their lease early.

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Fiscal year of lease expiration	Number of leases expiring	Surface area subject to expiring leases	Percentage of total surface area subject to expiration		Annual rental income under expiring leases	Percentage of total rental income under expiring leases	
		(sqm)	(%)		(Ps. thousand)	(%)	
2013	16	29,774	15	%	19.375	9	%
2014	52	69,800	35	%	86.724	39	%
2015	46	41,195	20	%	66.722	30	%
2016+	44	60,758	30	%	49.979	22	%
Total	158	201,527	100	%	222.800	100	%

*Includes Offices which contract has not been renewed as of June 30, 2013.
*Does not include vacant leased square meters.
*Does not include square meters or revenues from parking spaces.

Occupancy Rate

The following table shows the average occupancy rate of each shopping center during the fiscal years ended June 30, 2013 and 2012:

	2013		2012	
Abasto	99.8	%	99.1	%
Alto Palermo	98.5	%	98.3	%
Alto Avellaneda	99.9	%	96.1	%
Paseo Alcorta	99.8	%	100.0	%
Patio Bullrich	99.7	%	100.0	%
Alto Noa	99.7	%	98.9	%
Buenos Aires Design	99.0	%	100.0	%
Mendoza Plaza	97.1	%	96.4	%
Alto Rosario	97.7	%	97.6	%
Córdoba Shopping Villa Cabrera	100.0	%	99.6	%
Dot Baires Shopping	99.4	%	99.4	%
Soleil Factory Shopping	100.0	%	100.0	%
La Ribera Shopping	97.7	%	98.7	%
Overall Average	99.1	%	98.4	%

Rental Price

The following table shows the annual average rental price per square meter for the fiscal years ended June 30, 2013 and 2012(1):

Fiscal year ended, June 30	2013	2012	Var

Abasto	7,337.5	5,895.2	24.5	%
Alto Palermo	14,442.2	11,802.1	22.4	%
Alto Avellaneda	5,155.8	4,312.3	19.6	%
Buenos Aires Design	3,086.9	2,640.8	16.9	%
Paseo Alcorta	8,977.5	7,161.0	25.4	%
Patio Bullrich	8,829.8	7,710.3	14.5	%
Alto Noa	2,457.9	2,064.3	19.1	%
Alto Rosario	4,460.2	3,526.5	26.5	%
Mendoza Plaza	2,401.2	1,937.2	24.0	%
Córdoba Shopping- Villa Cabrera	3,863.4	3,104.6	24.4	%
Dot Baires Shopping	3,806.8	3,038.8	25.3	%
Soleil Factory Shopping	3,309.5	2,349.3	40.9	%
La Ribera Shopping	1,421.5	497.1	186.1	%

(1) Annual rental price per gross leasable square meter reflects the sum of base rent, percentage rent and revenues from admission rights (excluding any applicable tax on sales) divided by gross leasable square meters.

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 Alto Palermo's Leases

Under Argentine Law, terms of commercial leases must be between three to ten years, with most leases in the shopping center business having terms of no more than five years. Alto Palermo's lease agreements are generally denominated in Pesos.

Decree No. 214/2002 and Decree No. 762/2002, which modify Public Emergency Law No. 25,561, determine that duties to turn over sums of money which are denominated in U.S. Dollars and which are not related to the financial system prior to January 7, 2002 are subject to the following:

- obligations will have to be paid in Pesos at a rate of Ps.1.00 = US$1.00. Additionally, these obligations are subject to inflation adjustment through the CER index;
- if, as a consequence of this adjustment, the agreement is unfair to any of the parties, as long as the party that has the obligation to pay is not overdue and the adjustment is applicable, either may ask the other for a fairness adjustment. If they do not reach an agreement, a court will make the decision in order to preserve the continuity of the contract relation in a fair way; and

- new lease agreements may be freely entered into between parties, even U.S. Dollar denominated lease agreements.

Leaseable space at Alto Palermo's shopping centers is marketed through an exclusive arrangement with its real estate brokers, Fibesa S.A. ("Fibesa") and Comercializadora Los Altos S.A. (merged with Fibesa S.A. as of July 1, 2009). Alto Palermo has a standard lease agreement, the terms and conditions of which are described below, which it uses for most tenants. However, Alto Palermo'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.

Alto Palermo charges its tenants a rent which consists of the higher of (i) a monthly base rent (the "Base Rent") and (ii) a specified percentage of the tenant's monthly gross sales in the store (the "Percentage Rent") (which generally ranges between 4% and 10% of tenant's gross sales). Furthermore, pursuant to the rent escalation clause in most leases, a tenant's Base Rent generally increases between 7% and 24% on an annual and cumulative basis as 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. See "Risk Factors" for a more detailed discussion.

In addition to rent, Alto Palermo 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, range between 3 and 6. 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 Alto Palermo´s consent.

Alto Palermo is responsible for supplying each shopping center with the electrical power connection and provision, a main telephone switchboard, central air conditioning connection and a connection to a general fire detection system. Each rental unit is connected to these systems. Alto Palermo also provides the food court tenants with sanitation and with gas systems 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. Alto Palermo determines this percentage based on different factors. The common area expenses include, among others, administration, security, operations, maintenance, cleaning and taxes.

Alto Palermo carries out promotional and marketing activities to attendance visits to its shopping centers. These activities are paid for with the tenants' contributions to the Common Promotional Fund ("CPF"), which is administered by Alto Palermo. Every month tenants contribute to the CPF an amount equal to approximately 15% of their rent (Base Rent plus Percentage Rent), in addition to rent and expense payments. Alto Palermo may increase the percentage that tenants must contribute to the CPF, but the increase cannot exceed 25% of the original amount set forth in the corresponding lease agreement for the contributions to the CPF. Alto Palermo 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. We 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 Alto Palermo. Alto Palermo 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 Revenues

Set forth below is a breakdown of the sources of our shopping center revenues (in millions of Ps.) for the fiscal years ended June 30, 2013 and 2012:

	2013	2012	Var	
Type of Business				
Anchor Store	869.5	708.2	22.8	%
Clothes and footwear	6,149.9	4,932.8	24.7	%
Entertainment	461.5	351.5	31.3	%
Home	2,322.6	1,795.6	29.3	%
Restaurant	1,161.5	937.4	23.9	%
Miscellaneous	1,438.2	1,186.2	21.2	%
Services	78.8	54.7	44.1	%
Total	12,482.0	9,966.4	25.2	%

Additional Information about Alto Palermo´s Shopping Centers

Set forth below is a brief description of each of Alto Palermo's shopping centers.

Alto Palermo Shopping, City of Buenos Aires. Alto Palermo Shopping is a 146-store shopping center that opened in 1990 and is located in the densely populated middle-income neighborhood of Palermo in the City of Buenos Aires. Alto Palermo Shopping is located only a few minutes from downtown Buenos Aires and with nearby subway access at the intersection of Avenues Santa Fe and Coronel Díaz. Alto Palermo Shopping has a total constructed area of 65,029 square meters (including parking lot) that consists of 18,690 square meters of gross leasable area. The shopping center has a food court with 19 stores. Alto Palermo Shopping is spread out over four levels and its parking lot may accommodate 654 cars for a fee over an area of 32,405 square meters. The shopping center target customer is a middle-income shopper aged 28 to 40.

In the fiscal year ended June 30, 2013, the public visiting the shopping center generated nominal retail sales totaling approximately Ps. 1,609.8 million, 23.4% higher than the Ps. 1,304.6 million invoiced in the same period of the previous fiscal year. Sales per square meter reached Ps. 86,130.2. Total rental income increased from about Ps. 220.7 million for the fiscal year ended June 30, 2012 to Ps. 269.9 million for the fiscal year ended June 30, 2013.

As of June 30, 2013, the occupancy rate at Alto Palermo Shopping was 98.5%.

Alto Avellaneda, Avellaneda, Greater Buenos Aires. Alto Avellaneda is a 140-store shopping center that opened in October 1995 and is located in the densely populated neighborhood known as Avellaneda, on the southern border of the City of Buenos Aires. This shopping center is located near a railway station and close to downtown Buenos Aires City. Alto Avellaneda has a total constructed area of 108,598.8 square meters (including parking lot) that includes 36,943

square meters of gross leasable area. Alto Avellaneda has a six-screen multiplex movie theatre, a Wal-Mart megastore, an entertainment center, a 20-restaurant food court and starting in April 28, 2008, it also hosts a Falabella department store. Wal-Mart (not included in the gross leasable area) acquired the space it occupies, but it pays a share of the common expenses of Alto Avellaneda's parking lot. This shopping center offers free-of-charge parking space for 2,700 cars over an area of 47,856 square meters.

Alto Avellaneda's target customer is a middle-income shopper aged 16 to 30.

In the fiscal year ended June 30, 2013, the public visiting the shopping center generated nominal retail sales that totaled approximately Ps. 1,868.8 million, which represents a year-on-year growth of 27.4%. Sales per square meter were Ps. 50,586.9. Total rental income increased from Ps. 159.3 million for the fiscal year ended June 30, 2012 to Ps. 190.5 million for the fiscal year ended June 30, 2013.

As of June 30, 2013, the occupancy rate at Alto Avellaneda was 99.9%.

Paseo Alcorta, City of Buenos Aires. Paseo Alcorta is a 109-store shopping center that opened in 1992 and is located in the residential neighborhood of Palermo Chico, one of the most exclusive areas in the City of Buenos Aires, within a short drive from downtown Buenos Aires. Paseo Alcorta has a total constructed area of approximately 87,553.8 square meters (including parking lot) that consists of 14,141 square meters of gross leasable area. Paseo Alcorta has a 12-restaurant food court and a Carrefour hypermarket on the ground floor. Carrefour purchased the space it now occupies but it pays a share of the expenses of the shopping center's parking lot. It is a three-level shopping center that includes a parking lot that charges a fee (as from June 2008) with approximately 1,300 spaces.

The shopping center target customer is a high-income shopper aged 34 to 54.

In the fiscal year ended June 30, 2013, the public visiting the shopping center generated nominal retail sales that totaled approximately Ps. 822.7 million, which represents annual sales for approximately Ps. 58,182.5 per square meter and a year-on-year growth of 23.2%. Total rental income increased from approximately Ps. 101.0 million in the fiscal year ended June 30, 2012 to Ps. 126.9 million in the fiscal year ended June 30, 2013.

As of June 30, 2013, the occupancy rate at Paseo Alcorta was 99.8%.

Abasto Shopping, City of Buenos Aires. Abasto Shopping is a 175-store shopping center located in the City Buenos Aires. Abasto Shopping is directly accessible by Carlos Gardel subway station; it is six blocks away from Once railway station and near the highway to Ezeiza International Airport. Abasto Shopping opened on November 10, 1998. Our investment in Abasto amounted to US$ 111.6 million. The principal building is a landmark building, which during the period 1889 to 1984 operated as the primary fresh produce market for the City of Buenos Aires. The property was converted into a 116,646 square meter shopping center (including parking lot and common areas), with approximately 37,708 square meters of gross leasable area (41,440 square meters including Museo de los Niños). Abasto is ranked #4 in terms of gross leasable area in Argentina. The shopping center is near Torres de Abasto, our apartment complex, and Coto supermarket.

Abasto Shopping has a 27-restaurant food court, a 12-screen movie theatre complex seating approximately 3,100 people, covering a surface area of 8,021 square meters, entertainment area and Museo de los Niños with a surface area of 3,732 square meters (the latter is not included within the gross leasable area). The shopping center is distributed in five stories and includes a parking lot for 1,200 vehicles with a surface area of 40,169 square meters.

Abasto Shopping's target customer is a middle-income shopper aged 25 to 45, that in our opinion, represents an important portion of the population in this area of Buenos Aires.

In the fiscal year ended June 30, 2013, the public visiting the shopping center generated nominal retail sales that totaled approximately Ps. 1,939.0 million, 26.1% higher than the sales recorded in the same period of the previous fiscal year. Sales per square meter were approximately Ps. 51,420.5. Total rental income increased from approximately Ps. 222.3 million in the fiscal year ended June 30, 2012 to Ps. 276.9 million in the fiscal year ended June 30, 2013.

As of June 30, 2013, the occupancy rate at Abasto Shopping was 99.8%.

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

Patio Bullrich has a total constructed area of 29,982 square meters (including parking lot) that consists of 11,683 square meters of gross leasable area and common areas consisting of 12,472 square meters. The shopping center includes a four-screen multiplex movie theatre seating 1,381 people and a 12-store food court. The four-story shopping center has a parking lot that charges a fee with 215 spaces over an area of 4,825 square meters.

In the fiscal year ended June 30, 2013, the public visiting the shopping center generated nominal retail sales that totaled approximately Ps. 548.3 million, which represents annual sales for approximately Ps. 46,930.3 per square meter. Total rental income increased from approximately Ps. 90.1 million in the fiscal year ended June 30, 2012 to Ps. 103.1 million in the fiscal year ended June 30, 2013.

As of June 30, 2013, the occupancy rate at Patio Bullrich was 99.7%.

Alto Noa, Salta, Province of Salta. Alto Noa is a 91-store shopping center that opened in 1994. Alto Noa is located in the City of Salta, the capital of the Province of Salta, in the northwestern region of Argentina. The province of Salta has a population of approximately 1.2 million inhabitants with approximately 0.6 million inhabitants in the City of Salta. The shopping center has a total constructed area of approximately 30,876 square meters (including parking) which consists of 19,141 square meters of gross leasable area. Alto Noa has a food court with 13 restaurants, a large entertainment center, a supermarket and a multiplex cinema with eight screens. The shopping center occupies one floor and has free parking lot available 551 cars.

Alto Noa's target customer is a middle-income shopper aged 28 to 40.

In the fiscal year ended June 30, 2013, the public visiting the shopping center generated nominal retail sales that totaled approximately Ps. 609.2 million, which represents annual sales for approximately Ps. 31.827.9 per square meter. Total rental income increased from approximately Ps. 39.3 million in the fiscal year ended June 30, 2012 to Ps. 47.0 million in the fiscal year ended June 30, 2013.

As of June 30, 2013, the occupancy rate at Alto Noa was 99.7%.

Buenos Aires Design, City of Buenos Aires. Buenos Aires Design is a 62-store shopping center intended for specialty interior, home decorating and restaurants that opened in 1993. Alto Palermo owns Buenos Aires Design through a 53.68% interest in Emprendimiento Recoleta S.A., which owns the concession to operate the shopping center. Buenos Aires Design is located in Recoleta, one of the most popular tourist zones in Buenos Aires City. Buenos Aires Design has a total constructed area of 26,131.5 square meters (including parking) that consists of 13,776 square meters of gross leasable area. The shopping center has 8 restaurants anchored by the Hard Rock Café and a terrace that covers 3,700 square meters. The shopping center is divided into two floors and has a 174-car pay parking lot.

Buenos Aires Design's targeted clientele consists of upper-middle income individuals between the ages of 25 and 45.

In the fiscal year ended June 30, 2013, the public visiting the shopping center generated nominal retail sales that totaled approximately Ps. 241.5 million, which represents approximately Ps. 17,571.7 per square meter. Total rental income increased from approximately Ps. 36.4 million in the fiscal year ended June 30, 2012 to Ps. 42.4 million in the fiscal year ended June 30, 2013.

As of June 30, 2013, the occupancy rate at Buenos Aires Design was 99.0%.

Alto Rosario, Santa Fe, City of Rosario. Alto Rosario is a 146-store shopping center located in the City of Rosario, the third largest city in Argentina in terms of population. It has a total constructed area of approximately 100,750 square meters (including parking), which consists of 27,691 square meters of gross leaseable area. Alto Rosario has a food court with 17 restaurants, a large entertainment center, a supermarket and a Showcase cinema with 14 state-of-the-art screens. The shopping center occupies one floor and has free parking lot available 1,736 cars.

Alto Rosario's targeted clientele consists of middle-income individuals between the ages of 28 and 40.

In the fiscal year ended June 30, 2013, the public visiting the shopping center generated nominal retail sales that totaled approximately Ps. 1,060.2 million, which represents a year-on-year growth of 28.5%. Sales per square meter were approximately Ps. 38,288.0. Total rental income increased from approximately Ps. 97.6 million in the fiscal year ended June 30, 2012 to Ps. 123.5 million in the fiscal year ended June 30, 2013.

As of June 30, 2013, the occupancy rate at Alto Rosario was 97.7%.

Mendoza Plaza Shopping, Mendoza, City of Mendoza. Mendoza Plaza is a 147-store shopping center which opened in 1992 and is in the City of Mendoza, the capital of the Province of Mendoza. The city of Mendoza has a population of approximately 1.0 million inhabitants, making it the fourth largest city in Argentina. Mendoza Plaza Shopping consists of 42,238 square meters of gross leasable area and has a multiplex cinema covering an area of approximately 3,659 square meters with ten screens, the Chilean department store Falabella, a food court with 21 restaurants, an entertainment center and a supermarket, which is also a tenant. The shopping center has two levels and has free parking lot available 2,600 cars.

Mendoza Plaza's targeted clientele consists of middle-income individuals between the ages of 28 and 40.

In the fiscal year ended June 30, 2013, the public visiting the shopping center generated nominal retail sales that totaled approximately Ps. 1,206.7 million, which represents a year-on-year growth of 29.9%. Sales per square meter were approximately Ps. 28,569.4. Total rental income increased from approximately Ps. 81.8 million in the fiscal year ended June 30, 2012 to Ps. 101.4 million in the fiscal year ended June 30, 2013.

As of June 30, 2013, the occupancy rate at Mendoza Plaza Shopping was 97.1%.

Córdoba Shopping, Villa Cabrera, City of Córdoba. Córdoba Shopping Villa Cabrera is a 106-store commercial center with a covered area of 35,000 square meters, consisting of 15,106 square meters of gross leasable area located in Villa Cabrera, City of Córdoba. It has a 12-screen movie theatre complex and a parking lot for 1,500 vehicles.

In the fiscal year ended June 30, 2013, the public visiting the shopping center generated nominal retail sales that totaled approximately Ps. 432.9 million, which represents a year-on-year growth of 27.2%. Sales per square meter were approximately Ps. 28,657.5. Total rental income increased from Ps. 47.1 million in the fiscal year ended June 30, 2012 to Ps. 58.3 million in the fiscal year ended June 30, 2013.

As of June 30, 2013, the occupancy rate at Córdoba Shopping was 100.0%.

Dot Baires Shopping, Autonomous City of Buenos Aires. Dot Baires Shopping is a shopping center that was opened in May 2009. It has 4 floors and 3 underground levels, a covered surface area of 173,000 square meters, out of which 49,719 constitute Gross Leasable Area, 153 retail stores, a hypermarket, a 10-screen multiplex movie theater and parking space for 2,200 vehicles.

Dot Baires Shopping is located in the Saavedra neighborhood, at the spot where Av. General Paz meets the Panamerican Highway and it is the largest shopping center in the City of Buenos Aires in terms of square meters.

As of June 30, 2013, our equity interest in Panamerican Mall S.A. was 80%.

In the fiscal year ended June 30, 2013, the public visiting the shopping center generated nominal retail sales that totaled approximately Ps. 1,566.6 million, which represents annual sales for approximately Ps. 31,509.7 per square meter. Total rental income increased from approximately Ps. 150.5 million in the fiscal year ended June 30, 2012 to Ps. 189.3 million in the fiscal year ended June 30, 2013.

As of June 30, 2013, the occupancy rate at Dot Baires Shopping was 99.4%.

Soleil Premium Outlet, Greater Buenos Aires. Soleil Premium Outlet is a shopping center that has been managed by us since 2010. As from April 2013, as a result of its refurbishment and reengineering and a strong advertising campaign, it was renamed Soleil Premium Outlet. At present, it has a surface area of 48,313 square meters, 13,609 square meters of which are gross leasable area, and we are authorized to build more than 9,697 square meters. It comprises 75 stores and 2,335 parking spaces.

Soleil Premium Outlet is located in San Isidro, Province of Buenos Aires. It opened in Argentina more than 25 years ago and it is the first Premium Outlet in the country.

In the fiscal year ended June 30, 2013, the public visiting the shopping center generated nominal retail sales that totaled approximately Ps. 366.4 million, which represents period average sales for approximately Ps. 26,922.6 per square meter and a year-on-year growth of 44.2% in invoicing. Total rental income increased from approximately Ps. 34.6 million in the fiscal year ended June 30, 2012 to Ps. 45.0 million for the fiscal year ended June 30, 2013.

As of June 30, 2013, the occupancy rate at Soleil Premium Outlet was 100%.

La Ribera Shopping, City of Santa Fe. La Ribera Shopping has a surface area of 43,219 square meters, comprising 50 retail stores and a 7 2D and 3D-screen multiplex cinema, the last one was opened in August 2012 with state-of-the-art sound and imaging technology. It also comprises a 510-square meter Cultural Center and 24,553 square meters in outdoor areas and free parking space. Its gross leasable area is approximately 8,378 square meters.

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

In the fiscal year ended June 30, 2013, the public visiting the shopping center generated nominal retail sales that totaled approximately Ps. 209.9 million, which represents period average sales for approximately Ps. 25,051.9 per square meter. Total rental income increased from Ps. 3.8 million in the fiscal year ended June 30, 2012 to Ps. 11.9 million during 2013.

As of June 30, 2013, the occupancy rate at La Ribera Shopping was 97.7%.

Control Systems

Alto Palermo has a computer system to monitor tenants' sales in all of our shopping centers (except Nuevo Puerto Santa Fe) . We also conduct regular manual audits of our 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. We use 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, Paseo Alcorta, Patio Bullrich, Buenos Aires Design (only with in respect to agreements signed after its acquisition), Abasto, Alto Rosario Shopping, Alto NOA, Dot Baires, Córdoba Shopping, Soleil and Mendoza Plaza Shopping contain a clause requiring tenants to be linked to the computer monitoring system, there being certain exceptions to this requirement.

Related Business

Development and Sales of Properties and Land Reserves

Residential Development Properties

The acquisition and development of residential apartment complexes and residential communities for sale is one of IRSA's core activities. IRSA's 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 the development of residential communities, IRSA frequently acquires vacant land, develops infrastructure such as roads, utilities and common areas, and sells plots of land for construction of single-family homes. It may also develop or sell portions of land for others to develop complementary facilities such as shopping areas within residential developments.

In the fiscal year ended June 30, 2013, revenues from the Development and Sales of Properties segment amounted to Ps. 142.0 million, compared to Ps. 162.8 million posted in the fiscal year ended June 30, 2012.

Construction and renovation works on IRSA's residential development properties are currently performed, under our supervision, by independent Argentine construction companies that are selected through a bidding process. IRSA enters 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. IRSA is 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, IRSA delivers undeveloped pieces of land and another firm is in charge of building the project. In this case, IRSA receives 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, 2013 and 2012:

Developments	Date of Acquisition	Estimated /Real Cost (in thousands of Ps.) (1)	Area intended for sale (sqm)	Total Units / Lots (2)	IRSA's Effective Interest	Percentage Built	Percentage Sold (3)	Accumulated Sales (in thousands of Ps.)	Accumulated Sales as of June 30, (in thousands of Ps.) (4)		B V (thou of
									2013	2012	201
Residential Apartments											
Torres Renoir(10)	Sep-99	22,861	5,383	28	100.00 %	100.00 %	100.00 %	53,940			-
Caballito Nuevo(10)	Nov-97	-	67	1	100.00 %	100.00 %	99.07 %	55,401	6,983	9,248	42.
Torres de Rosario (5) (10)	Apr-99	-	2,509	16	95.67 %	100.00 %	60.00 %	14,982	4,262	5,002	3,1
Libertador 1703/1755 (Horizons) (9)	Jan-07	399,355	44,648	467	50.00 %	100.00 %	100.00 %	241,266	117,090	110,596	19.
Other Residential Apartments (6)	N/A	231,677	138,520	1,438				310,895	811	371	75.
Subtotal Residential Apartments		653,893	191,127	1,950				676,484	129,146	125,217	98.
Residential Communities											
Abril/Baldovinos (7) (10)	Jan-95	130,955	5,137	4	100.00 %	100.00 %	99.50 %	238,175	1,113		2,9
El Encuentro(10)	Nov-97	-	6,628	5	100.00 %	100.00 %	85.00 %	15,180	11,698	10,260	2,7
Villa Celina I, II and III	May-92	4,742	75,970	219	100.00 %	100.00 %	100.00 %	14,028			-
Subtotal Residential Communities		135,697	87,735	228				267,383	12,811	10,260	5,6
Land Reserves											
Puerto Retiro (10)	May-97		82,051	-	50.00 %	0.00 %	0.00 %	-			51.
Santa María del Plata	Jul-97		715,951	-	100.00 %	0.00 %	10.00 %	-			222
Pereiraola(10)	Dec-96		1,299,630	-	100.00 %	0.00 %	100.00 %	46,311			8,2
Rosario Plot of land (5) (10)	Apr-99		31,000	-	95.67 %	0.00 %	100.00 %	11,072		27,273	7,6
Baicom Plot of land (10)	Dec-09		34,500	1	50.00 %	0.00 %	0.00 %	-			4,4
Pilar	Oct-98		740,237	-	100.00 %	0.00 %	0.00 %	-			2,2

Coto Air Space (5)	Sep-07	16,167	284	95.67	%	0.00	%	0.00	%	-