

IRSA INVESTMENTS & REPRESENTATIONS 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

Comission file number: 001-13542

IRSA INVERSIONES Y REPRESENTACIONES SOCIEDAD ANÓNIMA
(Exact name of Registrant as specified in its charter)

IRSA INVESTMENTS AND REPRESENTATIONS INC.
(Translation of Registrant's name into English)

Republic of Argentina
(Jurisdiction of incorporation or organization)

Bolívar 108
(C1066AAB) Buenos Aires, Argentina
(Address of principal executive offices)

Matias Gaivironsky

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Chief Financial Officer
Tel +(5411) 4323-7449 – finanzas@irsa.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
Global Depositary Shares, each representing ten shares of Common Stock	New York Stock Exchange
Common Stock, par value one Peso per share	New York Stock Exchange*

* Not for trading, but only in connection with the registration of Global 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 578,676,460.

Indicate by check mark if the registrant is a well known seasoned issuer, as defined in Rule 405 of the Securities Act: Yes No

If this report is an annual or transition report, indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or 15 (d) of the Securities Exchange Act of 1934. Yes No

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data 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 such shorter period that the registrant was required to submit and post such files). Yes No

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

Large accelerated filer Accelerated filer Non-accelerated filer

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

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

If "Other" has been checked in response to the previous question, indicate by check mark which financial statement item the registrant has elected to follow. 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 No

IRSA INVERSIONES Y REPRESENTACIONES SOCIEDAD ANÓNIMA

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

- changes in general economic, business, 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 or investing in Argentina or Argentine companies;
 - changes in exchange rates or regulations applicable to currency exchanges or transfer;
 - unexpected developments in pending litigation;
 - increased costs;
- unanticipated increases in financing and other costs or the inability to obtain additional debt or equity financing on attractive terms; and
 - the risk factors discussed under Item 3 “Key Information – (d) Risk Factors”.

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

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

CERTAIN MEASUREMENTS AND TERMS

As used throughout this annual report, the terms “IRSA,” the “Company,” “we,” “us,” and “our” refer to IRSA Inversiones y Representaciones Sociedad Anónima, together with our consolidated subsidiaries, except where we make clear that such terms refer only to the parent company.

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In Argentina the standard measure of area in the real estate market is the square meter (m²), while in the United States and certain other jurisdictions, the standard measure of area is the square foot (sq. ft.). All units of area shown in this annual report (e.g. , gross leasable area of buildings and size of undeveloped land) are expressed in terms of square meters. One square meter is equal to approximately 10,764 square feet. One hectare is equal to approximately 10,000 square meters and approximately 2.47 acres.

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 fiscal years ended June 30, 2013 and 2012 (our “audited consolidated financial statements”), which 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 Argentine Securities and Exchange Commission (the “Comisión Nacional de Valores” or the “CNV”, per its acronym in Spanish), 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)
	Ps.	Ps.
Total shareholders’ equity under Argentine GAAP attributable to IRSA	2,313,687	2,335,279

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Revenue recognition – “scheduled rent increases”	51,991	78,479
Revenue recognition – “letting fees”	(35,447)	(44,446)
Trading properties	(29,315)	(18,946)
Pre-operating and organization expenses	(22,002)	(22,083)
Goodwill	425,839	406,526
Non-current investments – financial assets	151,411	138,204
Initial direct costs on operating leases	698	946
Tenant deposits	114	329
Impairment of financial assets	(2,088)	(519)
Present value accounting – tax credits	11,231	5,917
Investments in associates	(56,224)	(152,163)
Investments in joint ventures	(16,716)	(11,219)
Acquisition of non-controlling interest	-	(15,178)
Amortization of cost debts	110	123
Deferred income tax	(15,748)	(24,409)
Non-controlling interest on adjustment above	(26,537)	(27,499)
Subtotal shareholders’ equity under IFRS attributable to IRSA	2,751,004	2,649,341
Non-controlling interest	331,609	390,428
Total shareholders’ equity under IFRS	3,082,613	3,039,769

		June 30, 2012 (1)
Net comprehensive income under Argentine GAAP attributable to IRSA		Ps. 280,081
Revenue recognition – “scheduled rent increases”		26,488
Revenue recognition – “letting fees”		(8,999)
Trading properties		10,369
Pre-operating and organization expenses		(81)
Goodwill		(19,398)
Non-current investments – financial assets		(13,207)
Initial direct costs on operating leases		248
Tenant deposits		215
Impairment of financial assets		1,569
Present value accounting – tax credits		(5,314)
Investments in associates		(89,857)
Investments in joint ventures		5,497
Acquisition of non-controlling interest		1,245
Amortization of cost debts		13
Currency translation		32,518
Deferred income tax		(9,206)
Non-controlling interest on adjustment above		(8,290)
Subtotal Net comprehensive income under IFRS attributable to IRSA		203,891
Non-controlling interest		20,785
Total net comprehensive income under IFRS attributable to IRSA		224,676

		June 30, 2012 (1)
Other comprehensive income under Argentine GAAP attributable to IRSA		45,851
Goodwill		85
Investments in associates		(6,082)

Currency translation	(32,518)
Deferred income tax	544
Non-controlling interest on adjustment above	6,622
Subtotal other comprehensive income under IFRS attributable to IRSA	14,502
Non-controlling interest	180
Total other comprehensive income under IFRS attributable to IRSA	14,682

(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

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 “USD”, or “US\$” we mean United States dollars, the lawful currency of the United States of America; and when we refer to “Central Bank”, or “BCRA” or “Argentine Central Bank”, we mean the Argentine Central Bank.

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.

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, respectively. 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.

Summary Consolidated Financial and Other Information for IRSA

	For the fiscal year ended June 30,		
	2013	2013	2012
	(in	(in thousands of Ps.,	
	thousands	except	
	of US\$) (ii)	ratios and per share data)	
		(i)	
Audited Consolidated Statement of Income			
Revenues	405,935	2,187,180	1,790,316
Costs	(201,858)	(1,087,611)	(858,658)
Gross Profit	204,077	1,099,569	931,658
Gain from disposal of investment properties	34,107	183,767	116,689
General and administrative expenses	(36,162)	(194,841)	(174,347)
Selling expenses	(19,697)	(106,125)	(84,773)
Other operating results, net	17,310	93,268	(32,446)
Profit from operations	199,636	1,075,638	756,781
Share of (loss) /profit of associates and joint ventures	(1,372)	(7,391)	11,660
Profit before financial results and income tax	198,264	1,068,247	768,441
Financial income	25,484	137,308	105,864
Finance cost	(144,190)	(776,896)	(530,870)
Other financial results	259	1,396	(1,821)

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Financial results, net	(118,447)	(638,192)	(426,827)
Income before tax	79,817	430,055	341,614
Income tax	(24,656)	(132,847)	(116,938)
Net Income	55,161	297,208	224,676
Attributable to			
Equity holders of the parent	44,309	238,737	203,891
Non-controlling interest	10,852	58,471	20,785
Profit per share attributable to equity holders of the parent:			
Basic	0.08	0.41	0.35
Diluted	0.08	0.41	0.35
Net Income	55,161	297,208	224,676
Other comprehensive income:			
Items that may be reclassified subsequently to profit or loss:			
Currency translation adjustment	10,542	56,799	14,682
Other comprehensive income for the year	10,542	56,799	14,682
Total other comprehensive income for the year	65,703	354,007	239,358
Attributable to			
Equity holders of the parent	53,438	287,926	218,393
Non-controlling interest	12,264	66,081	20,965
CASH FLOW DATA			
Net cash generated from operating activities	160,240	863,373	691,882
Net cash used in investing activities	(8,517)	(45,892)	(246,776)
Net cash used in financing activities	(56,843)	(306,268)	(492,857)

	IFRS For the fiscal years ended			
	2013 (in thousands of US\$(ii))	June 30, 2013	2012	July 1, 2011
Audited Consolidated Statements of Financial Position				
ASSETS				
Non-Current Assets				
Investment properties, net	741,004	3,992,530	3,275,226	3,340,081
Property, plant and equipment, net	39,472	212,673	228,033	235,245
Trading properties	33,115	178,425	167,109	155,876
Intangible assets, net	14,783	79,653	29,389	31,900
Investment in associates and joint ventures	264,279	1,423,936	1,445,815	1,373,215
Deferred income tax assets	15,820	85,236	34,255	17,903
Income tax receivables	24,144	130,086	103,263	78,387
Restricted assets	2,019	10,881	-	-
Trade and other receivables, net	15,799	85,126	93,109	86,622
Investments in financial assets	49,639	267,455	655,660	432,676
Derivative financial instruments	3,936	21,208	18,434	60,442
Total Non-Current Assets	1,204,011	6,487,209	6,050,293	5,812,347
Current Assets				
Trading properties	2,169	11,689	9,714	26,115
Inventories	3,029	16,321	15,659	6,820
Restricted assets	190	1,022	-	-
Trade and other receivables, net	142,786	769,333	475,877	419,995
Investments in financial assets	45,296	244,053	78,909	65,076
Cash and cash equivalents	147,903	796,902	259,169	301,559
Total Current Assets	341,373	1,839,320	839,328	819,565
TOTAL ASSETS	1,545,384	8,326,529	6,889,621	6,631,912
SHAREHOLDERS' EQUITY				
Share capital	107,401	578,676	578,676	578,676
Inflation adjustment of share capital	22,890	123,329	274,387	274,387
Share premium	147,202	793,123	793,123	793,123
Acquisition of additional interest in subsidiaries	(3,857)	(20,782)	(15,714)	-
Cumulative translation adjustment	9,424	50,776	14,502	-
Changes in non-controlling interest				
Equity-settled compensation	1,533	8,258	2,595	-
Legal reserve	15,802	85,140	71,136	57,031
Reserve for new developments	91,396	492,441	419,783	391,262
Special reserve	73,357	395,249	-	-
Retained earnings	44,419	239,328	510,853	656,525
Equity attributable to equity holders of the parent	509,565	2,745,538	2,649,341	2,751,004
Non-controlling interest	71,483	385,151	390,428	331,609
TOTAL SHAREHOLDERS' EQUITY	581,048	3,130,689	3,039,769	3,082,613

LIABILITIES**Non-Current Liabilities**

Trade and other payables	39,183	211,118	166,656	149,355
Borrowings	542,435	2,922,642	2,048,397	1,725,272
Deferred income tax liabilities	73,485	395,936	411,232	485,032
Payroll and social security liabilities	586	3,160	-	-
Provisions	10,716	57,737	17,823	12,881
Total Non-Current Liabilities	666,406	3,590,593	2,644,108	2,372,540

Current Liabilities

Trade and other payables	127,851	688,861	500,926	414,186
Income tax liabilities	14,674	79,065	104,869	57,791
Payroll and social security liabilities	9,096	49,010	39,607	34,089
Derivative financial instruments	321	1,732	-	-
Borrowings	143,380	772,529	557,896	667,587
Provisions	2,608	14,050	2,446	3,106
Total Current Liabilities	297,930	1,605,247	1,205,744	1,176,759

TOTAL LIABILITIES	964,336	5,195,840	3,849,852	3,549,299
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TOTAL SHAREHOLDERS EQUITY AND LIABILITIES	1,545,384	8,326,529	6,889,621	6,631,912
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OTHER FINANCIAL DATA	2013 (in thousands of US\$) (ii)	As of June 30,	
		2013 (in thousands of Ps., except ratios, per share and per ADS data) (i)	2012
Basic net income per share	0.076	0.41	0.35
Diluted net income per share	0.076	0.41	0.35
Basic net income per ADS	3.044	16.40	3.50
Diluted net income per ADS	3.044	16.40	3.50
Weighted – average number of common shares outstanding	578,676	578,676	578,676
Diluted weighted – average number of common shares	578,676,460	578,676,460	578,676,460
Depreciation and amortization	40,835	220,021	168,877
Capital expenditures	170,912	920,874	133,877
Working capital	43,443	234,073	(366,416)
Ratio of current assets to current liabilities	0.21	1.15	0.70
Ratio of shareholders' equity to total liabilities	0.11	0.60	0.79
Ratio of non-current assets to total assets	0.14	0.78	0.88
Dividend Paid	(44,479)	(239,652)	(262,724)
Dividends per share	(0.08)	(0.41)	(0.45)
Dividends per ADS	(3.07)	(16.57)	(18.16)
Number of shares outstanding	578,676,460	578,676,460	578,676,460
Share Capital	107,401	578,676	578,676

1. In thousands of Pesos, except ratios. Totals may not sum due to rounding.

2. 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 as of June 30, 2013, which was Ps. 5.388 per US\$ 1.0 as of June 30, 2013. We make no representation that the Argentine 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. See "Exchange Rates". Totals may not sum due to rounding.

Exchange Rate

In April 1991, Argentine law established a fixed exchange rate according to which the Central Bank was statutorily obligated 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 further devalue 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 the fiscal year 2011, fiscal year 2012 and fiscal year 2013, the Central Bank has 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			Period
	High(1)	Low(2)	Average(3)	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

- (1) The high exchange rate stated was the highest closing exchange rate of the month during the fiscal year, month or partial period described in the table above.
- (2) The low exchange rate stated was the lowest closing exchange rate of the month during the fiscal year, month or partial period described in the table above.
- (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.

Source: Banco de la Nación Argentina

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 the Argentine inflation rate or devaluation of the Peso could have a material adverse effect on our operating results.

B. Capitalization and Indebtedness

This item is not applicable.

C. Reasons for the Offer and Use of Proceeds

This item 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 Global Depositary Shares (“GDSs”), involves a high degree of risk, including the possibility of loss of your entire investment.

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 by 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 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 Coeficiente de Estabilización de Referencia, ("CER Index", per its acronym 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 further decrease in confidence in the Argentine economy, which could, in turn, have an adverse effect on our ability to access international capital markets to finance our operations and growth, which could, in turn, adversely affect our results of operations and financial conditions and cause the market value of our GDSs 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 financial 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 others.

In 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, 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", in this section). 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 GDSs.

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 (pension funds, or "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 Garantía de Sustentabilidad”) 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 former AFJP’s 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 a 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 (d) “Exchange Controls”.

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-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 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 these developing countries, such as Brasil 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.

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 Related to our Business

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

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

- downturns in the national, regional and local economic climate;
- volatility and decline in discretionary spending;
- competition from other shopping centers;

-

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 our tenants of their legal right to early termination of their 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 our tenants and our ability to collect rents from our tenants;
- changes in our ability or our tenants' ability to provide for adequate maintenance and insurance, possibly decreasing the useful life of and revenue from property; 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 our business, it could have a material adverse effect on our financial condition and results of operations. Even though some of these conditions have occurred in the past the company hasn't been significantly affected.

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

We are 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 our 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 their 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 us 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 our tenants' demand for rental properties outside of the city of Buenos Aires; and
- we may incur capital expenditures that could result in considerable time consuming efforts and which may never be completed due to government restrictions.

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

While our policies with respect to expansion, renovation and development activities are intended to limit some of the risks otherwise associated with such activities, we are 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 our control, as well as financing costs, that 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 our operating results.

The real estate industry in Argentina is increasingly competitive.

Our 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 us 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 our competitors are able to acquire and develop desirable properties, as a result of greater financial resources or otherwise, our business could be materially and adversely affected. If we are not able to respond to such pressures as promptly as our competitors, or the level of competition increases, our financial condition and results of our operations could be adversely affected.

In addition, many of our shopping centers are located in close proximity to other shopping centers, numerous retail stores and residential properties. The number of comparable properties located near our properties could have a material adverse effect on our ability to lease retail space at our shopping centers or sell units in our residential complexes and on the rent price or the sale price that we are able to charge. We 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 our results of operations.

We face risks associated with property acquisitions.

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

- we 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 our estimates;
- acquired properties may be located in new markets where we may have limited knowledge and understanding of the local economy, absence of business relationships in the area or unfamiliarity with local governmental and permitting procedures; and
- we may not be able to efficiently integrate acquired properties, particularly portfolios of properties, into our organization and to manage new properties in a way that allows us to realize cost savings and synergies.

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

We own several plots of land which are not yet zoned for the type of projects we intend to develop. In addition, we do not have the required land-use, building, occupancy and other required governmental permits and authorizations. We cannot assure you that we will continue to be successful in our 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, we may be affected by building moratorium and anti-growth legislation. If we are unable to obtain all of the governmental permits and authorizations we need to develop our present and future projects as planned, we may be forced to make unwanted modifications to such projects or abandon them altogether.

Acquired properties may subject us to unknown liabilities.

Properties that we acquire may be subject to unknown liabilities and we would have no recourse, or only limited recourse, to the former owners of the properties. Thus, if a liability were asserted against us based upon ownership of an acquired property, we might be required to pay significant sums to settle it, which could adversely affect our 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.

We currently carry 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 our properties. Although we believe 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, we could lose all or a portion of the capital we have invested in a property, as well as the anticipated future revenue from the property. In such an event, we might nevertheless remain obligated for any mortgage debt or other financial obligations related to the property. We 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 our operations, delay revenue and result in large expenses to repair or rebuild the property. Moreover, we do not purchase life or disability insurance for any of our key employees. If any of our key employees were to die or become incapacitated, we would experience losses caused by a disruption in our operations which will not be covered by insurance, and this could have a material adverse effect on our financial condition and results of operations.

In addition, we cannot assure you that we will be able to renew our 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.

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

A substantial part of our income is derived from rental income from real property. As a result, our performance depends on our ability to collect rent from tenants. Our income and funds for distribution would be negatively affected

if a significant number of our tenants, or any of our 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, we 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 our premium properties which target the high-income demographic may be insufficient.

We have focused on development projects to cater affluent individuals and have entered into property swap agreements pursuant to which we contribute our undeveloped properties to ventures with developers who will deliver us units in premium locations. At the time the developers return these properties to us, demand for premium residential units could be significantly lower. In such case, we would be unable to sell these residential units at the estimated prices or time frame, which could have a material adverse effect on our financial condition and results of operations.

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

Real estate investments are relatively illiquid and this tends to limit our ability to vary our 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 an investment. If income from a property declines while the related expenses do not decline, our business would be adversely affected. Some of our properties are mortgaged to secure payment of our indebtedness, and if we are unable to meet our mortgage payments, we 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 us to dispose of one or more of the mortgaged properties, we 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 our business. In the type of transactions, we 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 may adversely impact our results of operations and business prospects.

The success of our business and profitability of our operations are dependent on continued investment in the real estate markets and access to capital and debt financing. A long term crisis 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, we intend to increase our properties portfolio with strategic acquisitions of core properties at advantageous prices, and core plus and value added properties where we believe we can bring necessary expertise to enhance property values. In order to pursue acquisitions, we 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 our 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. Our ability to make

scheduled payments or to refinance our obligations with respect to indebtedness depends on our 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.

Our level of debt may adversely affect our operations and our ability to pay our debt as it becomes due.

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

Although we are generating sufficient funds from operating cash flows to satisfy our debt service requirements and our capacity to obtain new financing is adequate given the current availability of credit lines with the banks, we cannot assure you that we 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 may last.

This would require us 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. Our leverage could also affect our competitiveness and limit our ability to react to changes in market conditions, changes in the real estate industry and economic downturns.

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

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

We must maintain liquidity to fund our working capital, service our outstanding indebtedness and finance investment opportunities. Without sufficient liquidity, we could be forced to curtail our operations or we 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 our current resources do not satisfy our liquidity requirements, we 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 our credit ratings, as well as the possibility that lenders could develop a negative perception of the prospects of our company or the industry generally. We 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 our major customers, which in turn could materially adversely affect our 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 our major tenants cannot be predicted and may be quite severe. A disruption in the ability of our significant

tenants to access liquidity could cause serious disruptions or an overall deterioration of their businesses which could lead to a significant reduction in their future orders of their products and the inability or failure on their part to meet their payment obligations which could have a material adverse effect on our results of operations and liquidity.

Adverse incidents that occur in our shopping centers may result in damage to our image and a decrease in our customers.

Given that shopping centers are open to the public, with ample circulation of people, accidents, theft, robbery and other incidents may occur in our facilities, regardless of the preventative measures we adopt. 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 our shopping centers.

We are subject to risks inherent to the operation of shopping centers that may affect our 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 our 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 our 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 our 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 our shopping center and other rental properties.

If some of our most important tenants were to experience financial difficulties, including bankruptcy, insolvency or a general downturn of business, or if we simply failed to retain their patronage, our business could be adversely affected. Our shopping centers and, to a lesser extent, our 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 our shopping centers or office buildings could have a material adverse effect on the revenues and profitability of the affected segment and, by extension, on our 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 we are 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.

Our future acquisitions may be unprofitable.

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

- our estimates of the cost of improvements needed to bring the property up to established standards for the market may prove to be inaccurate;
- properties we acquire may fail to achieve within the time frames we project the occupancy or rental rates we project at the time we make the decision to acquire, which may result in the properties' failure to achieve the returns we projected;
- our pre-acquisition evaluation of the physical condition of each new investment may not detect certain defects or identify necessary repairs, which could significantly increase our total acquisition costs; and
- our investigation of a property or building prior to its acquisition, and any representations we may receive from the seller of such building or property, may fail to reveal various liabilities, which could reduce the cash flow from the property or increase our acquisition cost.

If we acquire a business, we 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 our operations and divert management's attention away from day-to-day operations, which could impair our relationships with our current tenants and employees.

Our ability to grow will be limited if we cannot obtain additional capital.

Our growth strategy is focused on the redevelopment of properties we already own and the acquisition and development of additional properties. As a result, we are 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. We cannot guarantee that additional financing, refinancing or other capital will be available in the amounts we desire or favorable terms. Our access to debt or equity capital markets depends on a number of factors, including the market's perception of our growth potential, our ability to pay dividends, our financial condition, our credit rating and our current and potential future earnings. Depending on the outcome of these factors, we could experience delay or difficulty in implementing our 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 our results of operations.

As a result of the outbreak of Swine Flu during the winter of 2009, consumers and tourists dramatically changed their spending and travel habits to avoid contact with crowds. Furthermore, several governments' enacted regulations limiting the operation of schools, cinemas and shopping centers. Even though the Argentine government only issued public service recommendations to the population regarding the risks involved in visiting crowded places, such as shopping centers, and did not issue specific regulations limiting access to public places, a significant number of consumers nonetheless changed their habits vis-a-vis shopping centers and malls. We 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 our businesses.

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

Office buildings are subject to various factors that affect their development, administration and profitability. The profitability of our office buildings may be affected by:

- a decrease in demand for office space;
- a deterioration in the financial condition of our 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 our tenants; and
 - maintenance, repair and renovation costs incurred to maintain the competitiveness of our office buildings.

We are subject to risks affecting the hotel industry.

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

In addition, the profitability of our hotels depends on:

- our ability to form successful relationships with international and local operators to run our 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
- taxes and governmental regulations affecting wages, prices, interest rates, construction procedures and costs.

An uninsured loss or a loss that exceeds the policies on our properties could subject us to lost capital or revenue on those properties.

Under the terms and conditions of the leases currently in force on our properties, tenants are required to indemnify and hold us harmless from liabilities resulting from injury to persons, or property, on or off the premises, due to activities conducted on the properties, except for claims arising from our negligence or intentional misconduct or that of our 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, we 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 our invested capital, and anticipated revenue from, one or more of the properties, which could have a material adverse effect on our operating results and financial condition.

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

Our 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 our 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. We are required to obtain licenses and authorizations with different governmental authorities in order to carry out our projects. Maintaining our licenses and authorizations can be a costly provision. In the case of non-compliance with such laws, regulations, licenses and authorizations, we 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 us 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 our 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 our 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 our rental income. We 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 our operations and profitability.

Argentine Lease Law No. 23,091 imposes restrictions that limit our 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 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 these provisions may not be enforceable and therefore it may be impossible for us to adjust the amounts owed to us under our 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, we are exposed to the risk of increases of inflation under our leases and the exercise of rescission rights by our tenants could materially and adversely affect our business and we cannot assure you that our 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.

We usually attempt 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 our financial condition and results of operation.

We are subject to great competitive pressure.

Our 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 our properties. The number of competing properties in a particular area could have a material adverse effect on our ability to lease retail space at our shopping centers or sell units in our residential complexes and on the amount of rent or the sale price that we are able to charge. To date, there have been relatively few companies competing with us 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 our results of operations.

Our assets are concentrated in the Buenos Aires area.

Our principal properties are located in the City of Buenos Aires and the Province of Buenos Aires and a substantial portion of our revenues are derived from such properties. For our fiscal years ended June 30, 2012 and 2013, approximately 81% and 83% of our consolidated revenues were derived from properties in the Buenos Aires metropolitan area including the City of Buenos Aires. Although we own properties and may acquire or develop additional properties outside Buenos Aires, we expect 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 our financial condition and results of operations.

We face risks associated with the expansion to other Latin American markets.

From 1994 to 2002, we 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.

We continue to believe that Brazil, Uruguay and other Latin American countries offer attractive growth opportunities in the real estate sector. We 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 us, 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, we acquired a property in Partido de la Costa, Department of Canelones, Uruguay, near Montevideo, where we plan to develop a real estate housing units and commercial premises.

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

On November 18, 1997, in connection with the acquisition of our subsidiary Inversora Bolívar S.A. ("Inversora Bolívar"), we 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, we, through Inversora Bolívar, increased our 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. We cannot give you any assurance that we will prevail in this proceeding, and if the plaintiff's claim is upheld by the courts, all of the assets of Puerto Retiro would likely be used to pay Indarsa's debts and our investment in Puerto Retiro, valued at Ps. 44.9 million, as of June 30, 2013, would be lost. As of June 30, 2013, we had not established any reserve with respect to this contingency.

Property ownership through joint ventures or minority participation may limit our ability to act exclusively in our interest.

We develop and acquire properties in joint ventures with other persons or entities when we believe circumstances warrant the use of such structures. For example, in our Shopping Center segment, as of June 30, 2013, we owned approximately 95.7% of Alto Palermo. Through our subsidiary Alto Palermo, we 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 our Development and Sales of

Properties segment, we have ownership of 50% in Puerto Retiro and 50% in Cyrsa S.A. In our Hotels segment, we own 50% of the Llao Llao Hotel, while the other 50% is owned by the Sutton Group. We own 80% of the Hotel Libertador, Hoteles Sheraton de Argentina S.A. owns 20%. We own 76.34% of Hotel Intercontinental. In the Financial Operations and Others segment, we own approximately 29.77% of Banco Hipotecario, while the Argentine government has a controlling interest. Finally, we own 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.

We could engage in a dispute with one or more of our joint venture partners that might affect our ability to operate a jointly owned property. Moreover, our joint venture partners may at any time, have business, economic or other objectives that are inconsistent with our 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, our joint venture partners may have competing interests in our markets that could create conflicts of interest. If the objectives of our joint venture partners are inconsistent with our own objectives, we will not be able to act exclusively in our interests.

If one or more of the investors in any of our 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 our financial performance. Should a joint venture partner declare bankruptcy, we could be liable for our partner's share of joint venture liabilities.

We are dependent on our board of directors and certain other senior managers.

Our success depends on the continued employment of Eduardo S. Elsztain, our Chief Executive Officer and Chairman of the Board of Directors, and certain members of our board of directors and senior management, who have significant expertise and knowledge of our business and industry. The loss of or interruption in his services for any reason could have a material adverse effect on our business. 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. A failure to hire or retain qualified personnel may have a material adverse effect on our financial condition and results of operations.

We may face potential conflicts of interest relating to our principal shareholders.

Our largest beneficial owner is Mr. Eduardo S. Elsztain, through his indirect shareholding through Cresud S.A.C.I.F.y A. ("Cresud"). As of June 30, 2013, such beneficial ownership consisted of: (i) 378,753,404 common shares held by Cresud, (ii) 3,467,920 common shares held by Inversiones Financieras del Sur S.A., and (iii) 900 common shares held directly by Mr. Elsztain.

Conflicts of interest between our management, Cresud and our affiliates may arise in the performance of our business activities. As of June 30, 2013, Mr. Elsztain also beneficially owned (i) approximately 39.01% (on a fully diluted basis) of Cresud's common shares and (ii) approximately 95.7% of the common shares of our subsidiary Alto Palermo. We cannot assure you that our principal shareholders and their affiliates will not limit or cause us to forego business opportunities that our affiliates may pursue or that the pursuit of other opportunities will be in our interest.

Due to the currency mismatches between our assets and liabilities, we may have significant currency exposure.

As of June 30, 2013, the majority of our liabilities, such as our 7.45%, 8.5% and 11.5% notes due 2014, 2017 and 2020 respectively and Alto Palermo's Series I Notes are denominated in U.S. dollars, while a significant portion of our

revenues and assets as of June 30, 2013, are denominated in Pesos. This currency gap exposes us to a risk of exchange rate volatility, which would negatively affect our 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 our debt in Pesos, with further adverse effects on our results of operation and financial condition and may increase the collection risk of our leases and other receivables from our 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 our 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. We believe that our target consumers are increasingly using the Internet, from home, work or elsewhere, to shop electronically for retail goods. We believe 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 our shopping centers could be materially diminished, having a material adverse effect on our financial condition, results of operations and business prospects

Risks Related to our Investment in Banco Hipotecario

As of June 30, 2013, 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 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 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 in force 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 enacted 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 the Global Depositary Shares and the Shares

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

The market prices of our common shares and GDS could decline as a result of sales by our existing shareholders of common shares or GDSs 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 GDSs are freely transferable under US securities laws, including shares sold to our affiliates. Cresud, which as of June 30, 2013, owned approximately 65.45% of our common shares (or approximately 378,753,404 common shares which may be exchanged for an aggregate of 37,875,340 GDSs), is free to dispose of any or all of its common shares or GDSs at any time in its discretion. Sales of a large number of our common shares and/or GDSs would likely have an adverse effect on the market price of our common shares and the GDS.

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") than publicly available information about domestic issuers of listed securities in the United States and certain other countries. In addition, all listed Argentine companies must prepare their financial statements in accordance with regulations of the Comisión Nacional de Valores and Argentine GAAP except for financial institutions and insurance companies which must comply with the accounting standards issued by BCRA and the National Insurance Superintendance, respectively, which differ in certain significant respects from U.S. GAAP. For this and other reasons, the presentation of Argentine financial statements and reported earnings may differ from that of companies in other countries in this and other respects.

We are exempted from the rules under the Exchange Act prescribing the furnishing and content of proxy statements, and our officers, directors and principal shareholders are exempted 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 corporation (sociedad anónima) organized under the laws of Argentina. Most of our directors and 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. We have been advised by our Argentine counsel, Zang, Bergel & Viñes, that there is uncertainty as to whether the Argentine courts will enforce provisions to the same extent and in as timely a manner as a U.S. or foreign court, an action predicated solely upon the civil liability provisions of the United States federal securities laws or other foreign regulations brought against such persons or against us.

If we are considered to be a passive foreign investment company for United States federal income tax purposes, U.S. Holders of our common shares or GDSs 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 GDSs 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 GDSs 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 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 US 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 GDSs at a potential disadvantage.

The protections afforded to minority shareholders in Argentina are different 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 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 US 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 ability to pay dividends is limited, by our by-laws and by certain restrictive covenants in our debt instruments.

On February 2, 2007, we issued our fixed-rate notes due 2017 in an aggregate principal amount of US\$150.0 million, which accrue interest at an annual interest rate of 8.5% payable semiannually and maturing on February 2, 2017.

On July 20, 2010, we issued fixed-rate notes due in 2020 in an aggregate principal amount of US\$ 150.0 million, which accrue interest at an annual interest rate of 11.5% payable semiannually and mature on July 20, 2020.

Additionally, on February 14, 2012, we issued our Badlar notes due in 2013, in an aggregate principal amount of Ps 153.2 million which accrue interest at an annual rate of Badlar rate plus 249 basis points, and our fixed rate notes due in 2014 for a total amount of US\$ 33.8 million, which accrue interest at an annual interest rate of 7.45%.

These notes contain a covenant limiting our ability to pay dividends which may not exceed the sum of:

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

As a result, we cannot give you any assurance that in the future we will pay any dividends in respect of our common shares.

ITEM 4. Information on the Company

A. History and Development of the Company

General Information

Our legal and commercial name is IRSA Inversiones y Representaciones Sociedad Anónima. We were incorporated and organized on April 30, 1943 under Argentine law as a stock corporation (Sociedad Anónima), and we were registered with the Public Registry of Commerce of the City of Buenos Aires (Inspección General de Justicia or “IGJ”) on June 23, 1943 under number 284, on page 291, book 46 of volume A. Pursuant to our bylaws, our term of duration expires on April 5, 2043. Our shares are listed and traded on the Bolsa de Comercio de Buenos Aires and Global Depository Shares representing our shares are listed on the New York Stock Exchange. Our principal executive offices are located at Bolivar 108 1st floor, Ciudad Autónoma de Buenos Aires (C1066AAB), Argentina. Our headquarters are located at Moreno 877, (C1091AAQ), Ciudad Autónoma de Buenos Aires, Argentina. Our telephone is +54 (11) 4323-7400. Information contained in or accessible through our website is not a part of this Annual Report. All references in this Annual Report 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. Our Depository Agent for the Global Depository Shares in the United States is The Bank of New York whose address is P.O. Box 358516 Pittsburgh, PA 15252-8516, and whose telephones are + 1-888-BNY-ADR for U. S. calls and + 1 - 201-680-6825 for calls outside U.S.

History

We have been actively engaged in a range of diversified real estate activities in Argentina since 1991. After our global public offering in 1994, we launched our real estate activities in the office rental market by acquiring three office towers located in prime office zones of Buenos Aires: Libertador 498, Maipú 1300 and Madero 1020.

Since 1996, through our subsidiary Alto Palermo, we have expanded our real estate activities in the Shopping Center segment by through the acquisition of controlling interests in eleven shopping centers: Paseo Alcorta, Alto Palermo Shopping, Buenos Aires Design, Alto Avellaneda, Alto Noa, Abasto Shopping, Patio Bullrich, Mendoza Plaza Shopping, Alto Rosario, Córdoba Shopping Villa Cabrera and Dot Baires. During the same period, we have also expanded our operations into the residential real estate market through the development and construction of multi-tower apartment complexes in the City of Buenos Aires and through the development of private residential communities in the greater Buenos Aires metropolitan area.

In 1997, we entered the hotel market through the acquisition of a 50% interest in the Llao Llao Hotel near Bariloche and the InterContinental Hotel in the City of Buenos Aires. In 1998, we also acquired the Libertador Hotel in the City of Buenos Aires and subsequently sold a 20% interest to an affiliate of Sheraton Hotels.

In 1999, we acquired 2.9% of Banco Hipotecario for Ps.30.2 million in connection with its privatization. Over the years, we have gradually increased our ownership interest in Banco Hipotecario. During the fiscal year 2002, we increased our equity interest to 5.7% and during 2003 and 2004, we increased our investment to 11.8%. Since 2008, we have acquired additional shares increasing our equity interest to 29.77% as of the date of this annual report.

In 2005 we increased our ownership interest in Mendoza Plaza Shopping S.A. from 68.8% to 85.4% through our subsidiary Alto Palermo (currently 100%). We also opened Alto Rosario Shopping. Attractive prospects in our Office business led us to make an important investment in this segment by acquiring Bouchard 710 building in fiscal year 2005, covering 15,014 square meters of rentable premium space.

In December 2006, we started the operation of Córdoba Shopping, a shopping center located in the neighborhood of Villa Cabrera in the city of Cordoba.

In 2007, we consummated several significant acquisitions in the shopping center and office building segments. In 2007 we purchased Edificio Bouchard Plaza, also known as Edificio La Nación, a 23-floor AAA office building with a total leasable area of 33,324 square meters, located in downtown Buenos Aires. We subsequently sold 9,946 square meters ending up with a total leasable area of 23,378 square meters. In 2007 we also purchased Edificio Dock del Plata which has a gross leasable area of 7,921 square meters located in the exclusive area of Puerto Madero, and subsequently we sold 3,937 square meters, retaining 3,985 square meters as of December 31, 2009. With these new purchases, we increased our premium office leasable area by 70%. We also launched the development of an office building at Dock IV of Puerto Madero, representing an additional leasable area of approximately 11,000 square meters, which was opened in May 2009.

In 2007, we acquired a 50% interest in an office building with 31,670 square meters of gross leasable area, known as the BankBoston Tower, for total consideration of US\$54 million including all existing leases. This modern property is located at 265 Carlos María Della Paolera in the City of Buenos Aires and was designed by the recognized architect Cesar Pelli (who also designed the World Financial Center in New York and the Petronas Towers in Kuala Lumpur).

In December 2007, we and INCSA executed a letter of intent to acquire, build and manage a shopping center in a plot of land owned by INCSA, located in the City of San Miguel de Tucumán, Province of Tucumán. This transaction was contingent upon the acquisition of the Soleil Factory shopping center. Upon completion of the acquisition of the Soleil Factory on July 1, 2010, as described below, we were obligated to commence the construction works on the site on May 2, 2011. However, INCSA shall comply with certain obligations prior to the commencement of said works, such as (i) delivery of the title deed of the plot and (ii) INCSA was obligated to transfer the rights and permits on the architectural project to us.

On July 1, 2010, we and INCSA entered into an agreement pursuant to which the Soleil Factory shopping center and other fixed assets were transferred to us. The transaction excluded any receivable or payable arising out of INCSA's business prior to the transaction and also excluded a building, which currently is being operated as a hypermarket within the same premises. INCSA transferred the deed of title to us on August 3, 2011. The transaction was authorized by the Comisión Nacional de Defensa de la Competencia, the National Commission of Competition in Argentina, on April 12, 2011.

On April 2013, as a result of its refurbishment, reengineering and a strong advertising campaign, Soleil factory shopping was renamed as Soleil Premium Outlet.

In March 2008 we launched a residential project through a partnership with Cyrela Brazil Realty to develop a new homebuilding concept in Argentina accompanied by an innovative sales and financing policy. The partnership's first project is in the Vicente López neighborhood, Province of Buenos Aires and as of December 31, 2009, preliminary sales agreements for 100% of the units to be marketed had been entered into. As of June 30, 2012, the percentage of completion of the project was 99.69%.

In April 2008, we acquired a building known as "República Building", in the City of Buenos Aires. This property, designed by the architect César Pelli (who also designed the World Financial Center in New York and the Petronas Towers in Kuala Lumpur) is a premium office building in downtown Buenos Aires and adds approximately 19,533 gross leasable square meters to our portfolio. We paid US\$70.2 million for this property, partially financed by a US\$33.6 million mortgage loan with an annual fixed rate of 12%, to be paid in five annual installments commencing in April 2009.

In June 2008, Alto Palermo acquired a plot of land situated at Beruti 3351/3359, between Bulnes and Avenida Coronel Díaz in Palermo, a neighborhood in the City of Buenos Aires close to our shopping center known as

“Shopping Alto Palermo”. The transaction was executed for a total price of US\$17.8 million.

In July 2008, we acquired for US\$22.6 million a 30% equity interest in Metropolitan, a Delaware limited liability company, United States of America. Metropolitan’s principal asset is a 34-story office building known as the Lipstick Building located in New York City at Third Avenue between 53rd and 54th Streets. Metropolitan has incurred mortgage debt in connection with the Lipstick Building. This office building has approximately 59,000 square meters of gross leasable area. At the same time, we acquired the right to sell back 50% of the interest acquired until the third anniversary of this investment at a price equal to 50% of the price we paid for the total investment plus interest at 4.5% per annum, and a right of first offer with respect to 60% of the 5% interest currently held by one of the shareholders of Metropolitan. During the fiscal year 2011, as a result of certain negotiations carried out successfully, an agreement was reached to restructure the debt of the Metropolitan. This restructuring was completed on December 30, 2010, the date on which a payment was made for US\$ 15.0 million as payment for the new restructured mortgage debt, reducing it from US\$ 130.0 million to US\$ 115.0 million. As a result of the closure, we have an indirect 49% of New Lipstick LLC, a holding company owner of Metropolitan, and as part of such agreements canceled the put option for 50% of the equity initially purchased. On November 27, 2012, we increased our interest in Rigby 183 LLC to 74.50%, thus we started to consolidate the results of the investment in our statement of income.

In 2009, due to the deterioration of Tarshop’s financial condition and results of operations as a result of adverse economic conditions, Alto Palermo participated in capital increases for Tarshop and invested Ps.165.0 million, to provide liquidity and additional capital, thereby increasing its equity interest in Tarshop from 80% to 98.6%. In December 2009, we entered into an agreement to sell shares representing 80% of Tarshop’s capital stock to our affiliate Banco Hipotecario for US\$26.8 million. In August 2010, the Central Bank of Argentina approved the sale.

In May 2009 we opened the shopping mall, named Dot Baires Shopping, which includes 153 retail stores, a hypermarket, a cinema complex and parking spaces for 2,200 vehicles, and is located in the neighborhood of Saavedra, City of Buenos Aires, at the intersection of the Panamericana Highway and General Paz Avenue.

On August 4, 2009, through Real Estate Investment Group L.P. (“REIG”), a company indirectly controlled and managed by us, together with other minority investors, we acquired 5.7 million common shares of Hersha, a leading company in the hotel segment in the United States, for a total purchase price of US\$ 14.3 million. As a part of the initial acquisition of our equity interest in Hersha, we had an option to buy up to 5.7 million additional common shares in Hersha at a price of US\$ 3.00 per share exercisable at any time prior to July 31, 2014 subject to certain conditions. In addition, as a part of the investment agreements, our Director and Chief Real Estate Business Officer. On February 10, 2012, Hersha notified REIG its intention to exercise the call option to purchase 5.7 million shares of Hersha granted in August 2009. In furtherance thereof, Hersha issued 2,521,561 shares, for which REIG had no obligation to pay. The value of the shares amounted to US\$ 13.6 million. During fiscal year 2013, we sold 17,105,629 common shares of Hersha, therefore, as of the date of this annual report our direct and indirect interest in Hersha amounted to 0.49%. For more information please see "Fiscal Year ended June 30, 2013- Dispositions".

In December 2010, through Rigby 183 LLC, in which we participate indirectly through our 49% stake in IMadison LLC, together with other partners, we purchased a building at 183 Madison Avenue, Midtown South in Manhattan, NY.

In March 2011, we bought the Nobleza Piccardo (British American Tobacco company) deposit building through a subsidiary in which we have 50% stake. This property is located in the city of San Martín, Buenos Aires Province, and in its size and location is an excellent venue for the future development of different segments. The total plot area is 160,000 square meters and floor area of 81,786 square meters. Under the agreement signed, Nobleza Piccardo rents the property during the first year, releasing it partially until the third year, at which time it releases the entire building. During the first year, rent surface is 80,026 square meters between warehouses and offices, during the second year, the leasable area drops to 27,614 meters. We are working on the design of a Master Plan to apply to the authorities of San Martín that allow us to develop a mixed-use project. We recently obtained pre-approval by the Municipality of San

Martín to extend of the purposes for which the property can be used, including Shopping Center, Entertainment, Events, Commercial Offices, Parking and other ancillary uses. Based on the strategic location of the property, we considered acquiring it in order to develop a shopping center in the future.

On June 15, 2011, Alto Palermo acting in its own name and through its subsidiary, Torodur S.A., acquired 50% of Nuevo Puerto Santa Fe S.A.'s ("NPSF") shares, a corporation that is tenant of a building in which La Ribera Shopping was built and currently operates strategically located within the port of Santa Fe, the place with the largest development in terms of real estate in the City of Santa Fe, 27 kilometers away from the City of Paraná and 96 kilometers away from the City of Rafaela.

In March 2012, through our subsidiary Real Estate Strategies, L.P., in which we holds a 66.8% interest, we have acquired 3,000,000 Series C convertible preferred shares issued by Supertel Hospitality Inc. in an aggregate amount of US\$ 30,000,000. Such preferred shares will bear an annual 6.25% preferred dividend and will carry the same voting rights as common shares. Furthermore, pursuant to the aforementioned investment, the hawse have received warrants to acquire 30 million additional common shares. Subject to certain restrictions, the warrants may be exercised at any time during the 5-year period from closing of the transaction (such exercise being mandatory under certain conditions following 3 years from such closing) at a price of US\$ 1.20 per share.

Significant acquisitions, dispositions and development of business

Fiscal year ended June 30, 2013

Acquisitions

La Rural

In November 2012, we have acquired 50% of Entertainment Holdings S.A.'s ("EHSA") capital stock for a total amount of Ps. 32.0 million. EHSA is the indirect holder of 50.0% of the shares and votes of capital stock of La Rural S.A., a company that has the usufruct right pursuant a concession contract for the management of "Predio Ferial de Palermo" in the City of Buenos Aires. Accordingly, our indirect interest amounts to 25.0% of the capital stock of aforementioned company.

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.

APSA

During the current fiscal year, we acquired an additional equity interest of 0.1% in APSA for a total consideration of Ps. 2.3 million. As a result of this transaction, the non-controlling interest was reduced by Ps. 0.8 million.

Additional purchase Arcos Gourmet

On June 7, 2013, APSA purchased shares accounting for 1.815% of the capital stock and votes for US\$ 0.8 million.

Acquisition of equity interest in Rigby 183

In December 2010, through Rigby 183 LLC ("Rigby 183"), in which we indirectly holds a 49% stake through IMadison LLC ("IMadison"), jointly with other partners, acquired a building located at 183 Madison Avenue, Midtown South, Manhattan, New York. This area involves famous and prominent buildings such as, the Empire State Building, the

Macy's Herald Square, and the Madison Square Garden and it also has one of the largest office and store markets, excellent means of transport, restaurants, stores and entertainment options.

The purchased property consists of a pre-war building built in 1925 designed by the architecture firm Warren & Wetmore (the same firm that designed the Grand Central Terminal of New York). It has 19 office stories for rent and a store on its Ground Floor. The net leaseable area is approximately 23,200 sqm, 3,523 sqm of which correspond to retail stores and 19,677 sqm are offices.

The total purchase price was US\$ 98 million (US\$ 4,224 per leaseable sqm) composed of US\$ 48 million of principal (IMadison contributed US\$ 23.5 million), US\$ 40 million under a loan granted by M&T Bank at a rate of 5.01% per annum due in 5 years and a loan for US\$ 10 million to carry out the capex and prebuilds program.

On November 27, 2012, we increased our interest in Rigby 183 LLC to 74.50%, thus we started to consolidate the results of the investment in our statement of income.

Dispositions

Sale of Hersha's shares

During the year, we sold 17,105,629 ordinary shares of Hersha for a total amount of US\$ 92.5 million. Consequently, as of the date of issuance of these Consolidated Financial Statements, our interest in Hersha's capital stock decreased from 9.13% (at the beginning of the year) to 0.49%. The profit generated by the fair value measurement of the investment as of June 30, 2013, amounted to Ps.75,2 millions

Partial Sale of Libertador 498 and Maipú 1300

On August 31, 2012, we signed the transfer deeds for the sale of certain functional units of the building “Libertador 498” of the Autonomous City of Buenos Aires. The total price of the transaction amounted to Ps. 15.0 million and was paid on the execution of the title conveyance deeds. . This transaction generated a gain of Ps. 12.7 million.

On October 4 and 11, 2012, we 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 had been completely collected. This transaction generated a gain of Ps. 24.9 million.

On May 8, 2013, we 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). This transaction generated a gain of Ps. 6.0 million.

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

Partial Sale of La Nación Building

On September 14, 2012, we 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 June 28, 2013, we 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.

Partial Sale of Costeros Dique IV

On January 8, 2013, IRSA sold certain 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.

Sale of Canteras Natal Crespo S.A

On June 28, 2013, we reported the sale and transfer of our 50% stake in Canteras Natal Crespo S.A. to Euromayor S.A. de Inversiones. The amount of the operation totaled US\$ 4.2 million and the profit obtained was Ps. 15.0 million. Canteras Natal Crespo S.A. is the owner of Emprendimiento Laguna Azul, an urban development project of approximately 430 has. located in the Province of Cordoba.

Fiscal year ended June 30, 2012

Acquisitions

Acquisition of Bitania 26 S.A’s shares

On December 12, 2011, we through Ritelco S.A. purchased 9,800,000 non-transferable nominative common shares, of one vote each, issued by the company Bitania 26 S.A., representative of 49% of its capital stock. Bitania 26 S.A. owns the hotel “Esplendor Savoy” in the city of Rosario, Province of Santa Fé. The amount of the transaction was set in US\$ 5.0 million, which has been settled.

Acquisition of Nuevo Puerto Santa Fe S.A.

On August 18, 2011, we, through APSA, acquired the 50% of the capital stock of Nuevo Puerto Santa Fe S.A. (“NPSF”), an Argentine company that owns the usage and exploitation rights for a new shopping mall in the province of Santa Fe (“La Ribera Shopping”). The purchase price was US\$ 4.5 million and will be payable in equal and consecutive monthly installments as from February, 2013.

APSA

During the year ended June 30, 2012, we acquired an additional equity interest of 0.038% in APSA for a total consideration of 0.8 million. As a result of this transaction, the non-controlling interest was reduced by Ps. 0.4 million.

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

On February, 2012, through our subsidiary Real Estate Strategies L.P., we acquired 3 million of preferred shares and 30 million of warrants of Supertel for a total amount of US\$ 30.0 million. Supertel is a Real Estate Investment Trust (REIT) that focuses its activity on medium class long-stay hotels and long-term stays. Supertel owns approximately 75 hotels in 21 states of the United States of America, which are managed by diverse operators and franchises, such as Comfort Inn, Days Inn, Sleep Inn and Super 8, among others.

The above 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 one preferred share. Subject to certain limitations, they can be exercised completely or partially at any time until February 2017. Preferred shares grant the same political rights as Supertel’s common shares.

The Warrants grant us 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 completely or partially at any time until February 2017.

As a holder of Preferred Shares, we have approximately 34% of the voting rights in Supertel's Shareholders' Meetings. Additionally, we are entitled to appoint up to 4 directors, out of a total of 9, and participates in the decision-making process of Supertel's Executive Committee concerning the acquisition, disposal and administration of Supertel's real estate assets. However, under no circumstances may the Group hold an interest in Supertel of more than 34% of its capital stock and/or more than 34% of the voting rights in Supertel's Shareholders' Meetings.

In spite of the fact that the Group exerts significant influence on Supertel, neither the Preferred Shares nor the Warrants entitle the Group to the economic benefits of an equity interest in Supertel (the Group does not have any equity interest in Supertel). Therefore, the Preferred Shares and Warrants were recorded as financial assets and measured at fair value, and the resulting changes were disclosed in the statements of income, as required by IFRS 9.

When initially recognized, the consideration paid for the Preferred Shares and Warrants was allocated to both instruments, based on their respective fair values upon acquisition. The fair values of these instruments exceeded the price of the transaction and were assessed using a valuation method that incorporates unobservable market data. Given the fact that the fair value of these instruments was estimated by applying the mentioned method, the Group did not recognize a gain of US\$. 7.9 million at the time of initial recognition.

Contribution to Don Mario S.G.R. ("Don Mario")

On June 29, 2012, the Secretaría de Pequeña y Mediana Empresa (the "SME undersecretariat") authorized our incorporation as "Protector Partner" (Socio Protector) of Don Mario S.G.R. ("Sociedad de Garantía Recíproca").

Moreover, we made a contribution to Don Mario's Risk Fund in the amount of Ps. 10 million, in our capacity of Protector Partner. S.G.R.s are funded through the contributions of investors who in turn obtain certain tax benefits for income tax purposes.

Additionally, Don Mario assigned and transferred to us five Class "B" shares, with a face value of Ps. 1 each and entitled to one vote per share, for the amount of Ps. 0.005 which have been paid in cash. These shares are symbolic and merely represent our right over the investment. These shares neither grant control nor significant influence over the actions of the entity. We 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 our supply chain to make use of the tax benefit.

Lujan Plot of Land

On May 22, 2012, we completed the acquisition of a plot of land of 115 hectares in Luján, Province of Buenos Aires from Cresud S.A.C.I.F. y A. ("CRESUD"), for a total amount of US\$ 8.96 million, which as of the date of this annual report was fully paid. This transaction was carried out in order to develop a mixed purpose project in the future since the plot of land has localization and scale features that are apt for business development. In addition, the land already has the municipal requisite authorization and zoning permits to allow for developments.

Acquisition of Cresud's corporate notes

On March 10, 2011 and June 21, 2012, the Group through ERSA acquired Cresud S.A.C.I.F. y A.'s Non-convertible Notes for US\$ 2.5 million and Ps. 13.74 million, respectively.

Additionally, on June 21, 2012, the Group through PAMSA acquired Cresud S.A.C.I.F. y A.'s Non-convertible Notes for a total amount of Ps. 19.2 million.

Dispositions

Partial Sale of Libertador 498

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

Sale of “Thames”

On October 25, 2011, the Group 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.

Sale of “Museo Renault”

The Group through 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. In connection with the sale of corporate notes completed in May 2012, the amount of US\$ 3.3 million was agreed upon to be paid in two annual mortgage-backed installments over a 12 month period, at an annual interest rate of 8.5%. The transactions mentioned above resulted in a gain of Ps. 40.4 million

Partial Sale of “Dique IV”

On June 16, 2012, IRSA sold, assigned and transferred a covered area of 4,703 m2 for offices, 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 a gain of Ps. 53.7 million.

Developments

Apsamedia (Metroshop’s continuing Company)

On July 20, 2011, a Special General Shareholders Meeting of Metroshop S.A. (“Metroshop”) approved by unanimous consent the change of corporate name to Apsamedia S.A. and the amendment of its corporate purpose to capitalize on market opportunities.

Apsamedia will continue providing its services, which have been broadened in scope to the following areas:

- Consumer credit marketing and financing.
- Issuance and marketing of credit cards.
- Performance of any type of agency and representation.
- Management of administrative, advertisement and commercial activities.

Such amendments were registered under the Public Registry of Commerce on August 29, 2011 under number 17,795.

During this fiscal year, Apsamedia started to develop the leasing of advertising space business in our shopping centers.

Arcos del Gourmet

On September 6, 2011, Arcos del Gourmet SA, ("AGSA") signed a Retrofitting Concession with the Administración de Infraestructuras Ferroviarias (the Railway Infrastructure Administration or "ADIF"), which transferred the railway assets under the jurisdiction of the Organismo Nacional de Administración de Bienes ("ONABE"), pursuant which it was decided to extend the term of the grant until December 31, 2030, automatically renewable for three years and four months after that date if the commitments are satisfactorily performed. This new contract provides an additional extension of three years if AGSA determines it is necessary. It also established a maximum period of 24 months (counted from the day of signing the contract) to carry out the works and opening of the shopping center. The aforementioned contract established a new monthly fee of Ps. 0.2 million (plus VAT) until December 31, 2025, and Ps. 0.25 million (plus VAT) from January 1, 2026. Notwithstanding the foregoing, in the future and until the end of the concession period the charges shall be determined every two years. Upon ADIF transferring to such agency the rail wealth under the ONABE, by means of which it was decided to expand the concession term until December 31, 2030, automatically extendable for 3 years and 4 months as from that date, provided the fulfillment of all the commitments assumed. This new contract allows for another extension for 3 additional years in case the Company declares so. Likewise, a maximum term of 24 months was set (as from the date of subscription of the agreement) to perform the works and opening of the Shopping Center, such agreement and established a new monthly fee of Ps. 0.2 million (plus VAT) until December 31, 2025, and Ps. 0.25 million (plus VAT) as from January 1st, 2026. Notwithstanding this, subsequently and until the concession term is ended, fees will be determined every 2 years.

Additionally, to secure the fulfillment of the agreement, we committed to hire a surety bond for Ps. 4.46 million, to make a cash deposit of Ps. 0.40 million and to hire another surety bond in favor of ADIF in the amount of Ps. 14.95 million as collateral to our execution of the works agreed in due time and proper form.

This agreement replaces the one subscribed with ONABE.

On September 7, 2011, we acquired an additional 8.185% interest in Arcos del Gourmet S.A. for US\$ 1.75 million in cash consideration. As part of this acquisition, we have renegotiated certain terms of the original acquisition agreement pursuant to which it will contribute 10% of each capital call required to avoid the minority shareholder's dilution. This obligation is capped at US\$ 3.5 million and is recognized under selling financing is short-term and long-term debt.

In December 2011, Alto Palermo started to develop "Arcos" project located in the neighborhood of Palermo, City of Buenos Aires. This project, which will follow an urban space model, aspires to be a distinct proposal, offering a variety of premium brands in an open-air environment. This new urban space is expected to open by the end of 2013, and it will add approximately 13,000 square meters of gross leaseable area and 70 stores to APSA's portfolio, featuring its fourteenth shopping center.

Shopping Neuquén project

On June 4, 2012, Shopping Neuquén S.A. ("Shopping Neuquen") entered into an agreement with the Municipality whereby it agreed to perform the construction works in one stage of the Shopping Center, based on the new schedule which provides a maximum construction term of 24 months computed as from the execution of the relevant Works Commencement Minutes. Such agreement was approved by Decree N° 0572 issued by the Municipality of Neuquén on June 8, 2012.

If we fail to comply with the conditions established in the agreement, the Municipality is entitled to terminate the agreement and carry out the actions that may be considered necessary, including to request the return of the plots of the Shopping Center plots acquired to the Municipality.

Capital Expenditures

Fiscal Year 2013. During the fiscal year ended June 30, 2013, we invested Ps. 920.9 million, 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, equipment, 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) the purchase of an additional 25.5% equity interest in Rigby 183 LLC 's capital stock for Ps. 679.2 million, (g) advances to suppliers of Ps.15.8 million and (h) the acquisition of plots of lands for Ps. 1.8 million.

Fiscal Year 2012. During the fiscal year ended June 30, 2012, we invested Ps. 133.9 million, 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, (f) advances to suppliers of Ps.9.9 million and (g) the acquisition of plots of land for Ps. 47.0 million, mainly the Lujan plots of land (Ps. 41.9 million).

Recent Developments

Repurchase of shares

Our 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, for more information, please see Item 16 E “Purchase of Equity Securities by the Issuer and its Affiliates”.

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, we will receive Ps. 9.2 million.

Shareholders Meeting

Our 2013 annual meeting of shareholders 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 the documents contemplated in Section 234, paragraph 1, of Law No. 19,550 for the fiscal year ended June 30th, 2013, (iii) Consideration of the Board of Directors' performance, (iv) Consideration of the Supervisory Committee's performance, (v) Treatment of "Retained Earnings" account and consideration of the reversal of the "Reserve for New Projects" account. Delegation of its implementation, (vi) Treatment and allocation of net income for the fiscal year ended June 30th, 2013, amounting to Ps. 238,737,000. Consideration of payment of a dividend in cash and/or in kind, for up to Ps. 250,000,000, (vii) Consideration of compensation payable to the Board of Directors for the fiscal year 2013, (viii) Consideration of compensation payable to the Supervisory Committee for the fiscal year 2013, (ix) Determination of the number and election of Regular Directors and Alternate Directors, as applicable, (x) Appointment of Regular and Alternate Members of the Supervisory Committee, (xi) Appointment of Certifying Accountant for the next fiscal year and determination of its compensation, (xii) Updating of Shared Services Agreement report, (xiii) Treatment of amounts paid as personal asset tax levied on the shareholders, (xiv) Consideration of the Plan for repurchase of shares and GDSs issued by us, (xv) Updating of information on the implementation of payment of the bonus under the Incentive Plan for the Company's officers as resolved upon by the shareholders' meetings dated October 29th, 2009, October 29th, 2010, October 31st, 2011, and October 31st, 2012. Approval of actions taken, (xvi) Consideration of launching a Voluntary Public Tender Offer for the Shares of our controlled company Alto Palermo, (xvii) 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 for the issue of negotiable obligations under the Global Program for the Issue of Simple Negotiable Obligations for up to US\$ 300,000,000, (xviii) Consideration of renewing the delegation on the Board of Directors of the powers to determine the time and currency of issuance for the issuance of short-term debt securities ("Valores Representativos de Deuda de Corto Plazo", or "VCP") for a maximum outstanding amount which shall not exceed at any time the peso equivalent of US\$ 50,000,000.

Acquisition of Shares of Avenida.com

Through our subsidiary APSA, we have subscribed for 3,703,794 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 the company.

B. Business Overview

Operations and principal activities

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.

As of June 30, 2013 and 2012, we had total assets of Ps. 8,326.5 million and Ps. 6,889.6 million, respectively and shareholders' equity of Ps. 3,130.7 million and Ps. 3,039.8 million, respectively. Our net income for the fiscal years ended June 30, 2013 and 2012 was Ps. 297.2 million and Ps. 224.7 million, respectively.

Our principal executive offices are located at Bolivar 108, Ciudad Autónoma de Buenos Aires (C1066AAB), Argentina. Our administrative headquarters are located in the Intercontinental Plaza tower, Moreno 877, Floor 22, Ciudad Autónoma de Buenos Aires (C1091AAQ), Argentina. Our telephone number is +54 (11) 4323-7400, our fax number is +54 (11) 4323-7480.

We operate our business through six reportable segments, namely "Shopping Centers", "Office and Other Rentals", "Development and Sale of Properties", "Hotels", "International" and "Financial Operations and Others" as further described below:

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. 2,262.3 million and Ps. 2,211.9 million as of June 30, 2013 and 2012, respectively, representing 36% and 42% of our total consolidated assets at such dates, respectively. Our Shopping Centers segment generated operating income of Ps. 686.1 million and Ps. 569.0 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. 855.5 million and Ps. 1,106.0 million as of June 30, 2013 and 2012, respectively, representing 15% and 19% of our total consolidated assets at such dates, respectively. Our Offices and Other Rentals segment generated operating income of Ps. 125.4 million and Ps. 105.7 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. 542.9 million and Ps. 601.2 million as of June 30, 2013 and 2012, respectively, representing 12% and 11% of our total consolidated assets at such dates, respectively. Our Development and Sales of Properties segment generated operating income of Ps. 176.4 million and Ps. 100.8 for the financial years ended June 30, 2013 and 2012, respectively, representing 16% and 13%, 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. 195.5 million and Ps. 207.4 million as of June 30, 2013 and 2012, respectively, representing 3% and 4% of our total consolidated assets at such dates, respectively. Our Hotels segment generated operating losses of Ps. -21.0 million and Ps. -9.3 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 which owns the Lipstick Building also in New York. 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 total consolidated assets at such dates, respectively. Our International segment generated operating income of Ps. 129.3 million and operating losses of Ps. -8.8 for the financial years ended June 30, 2013 and 2012, respectively, representing 12% 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. During the fiscal year 2013, we maintained our 29.77% equity interest in Banco Hipotecario, held in the form of Class D shares, which are currently entitled to three votes per share, affording us, as of the end of the fiscal year 2013, a right to 46.46% of the total votes that can be cast at Banco Hipotecario’s shareholders’ meetings. As of June 30, 2013, our investment in Banco Hipotecario generated income of Ps. 59.9 million. 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. 1,081.2 million and Ps. 1,048.5 million as of June 30, 2013 and 2012, respectively, representing 19% and 20% of our total consolidated assets at such dates, respectively. Our Financial Operations and Others segment generated operating losses of Ps. -5.0 million and operating income of Ps. 5.7 for the financial years ended June 30, 2013 and 2012, respectively, representing 0% and 1%, of our consolidated operating income for such years, respectively.

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 “Development and Sale of properties” 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. 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.

Development and Sales. 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 New York City. We also have a 49.87% interest in a US company, whose main asset is the so-called “Lipstick” office building located in New York City. 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 of 9.13% in the 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.

Overview

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, we owned 95.68% 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 period 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.

Shopping Centers

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		Book Value (in thousands of Ps.) (4)	
						2013	2012		
Shopping Centers									
(5)									
Alto Palermo	11/97	18,690	100.0	%	98.4	%	269,921	220,714	237,502
Abasto Shopping									
(6)									
Alto Avellaneda	11/97	36,943	100.0	%	99.9	%	190,470	159,309	143,614
Paseo Alcorta	06/97	14,141	100.0	%	99.8	%	126,950	101,018	107,920
Patio Bullrich	10/98	11,683	100.0	%	99.7	%	103,159	90,086	123,087
Alto Noa									
Shopping	03/95	19,141	100.0	%	99.7	%	47,047	39,300	34,601
Buenos Aires									
Design	11/97	13,746	53.7	%	99.0	%	42,432	36,361	17,536
Alto Rosario									
Shopping (6)	11/04	27,691	100.0	%	97.1	%	123,510	97,656	127,344
Mendoza Plaza									
Shopping	12/94	42,238	100.0	%	97.7	%	101,419	81,822	114,422
Dot Baires									
Shopping	05/09	49,719	80.0	%	99.4	%	189,271	150,503	464,881
Córdoba									
Shopping Villa									
Cabrera	12/06	15,106	100.0	%	100.0	%	58,359	47,160	71,371
Soleil	07/10	13,609	100.0	%	100.0	%	45,039	34,564	91,379
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	1,284,640	1,852,378

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).-

Tenant 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	21,8	%
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	55.2	%
Total Sales (2)	12,482.0	9,966.4	25.2	%

- (1) Retail sales based upon information provided to us by retailers and prior owners. The amounts shown reflect 100% of the retail sales of each shopping center, although in certain cases we own less than 100% of such shopping centers.
 (2) Excludes sales from stands and spaces used for special exhibitions.
 (3) Includes accumulated results since acquisition on 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.

Lease Agreements Expiration as of June 30:	Number of Lease Agreements to Expire (1)	Square Meters of Leases to Expire (sqm)	Square Meter Percentage of Leases to Expire (%)	Amount of Lease Agreements to Expire (Ps./000)	Percentage of Lease Agreements to Expire (%)
2014	585	87,733	28 %	164,571,170	32 %
2015	405	58,368	19 %	143,851,800	28 %
2016	374	58,771	19 %	146,057,908	28 %
2017 and subsequent years	116	103,921	34 %	67,012,725	13 %
Total (2)	1,480	308,793	100 %	521,493,603	100 %

- (1) Including the vacant stores as of June 30, 2013. A lease may be associated with one or more stores.
- (2) Including the base rent and does not reflect our ownership interest in each property.

Occupancy Rate

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

	Fiscal Year ended June 30, (1)	
	2013	2012
Abasto	7,337.5	5,895.2
Alto Palermo	14,442.2	11,802.1
Alto Avellaneda	5,155.8	4,312.3
Buenos Aires Design	3,086.9	2,640.8

Paseo Alcorta	8,977.5	7,161.0
Patio Bullrich	8,829.8	7,710.3
Alto NOA	2,457.9	2,064.3
Alto Rosario	4,460.2	3,526.5
Mendoza Plaza	2,401.2	1,937.2
Córdoba Shopping- Villa Cabrera	3,863.4	3,104.6
Dot Baires Shopping	3,806.8	3,038.8
Soleil Factory Shopping	3,309.5	2,349.3
La Ribera Shopping	1,421.5	497.1

(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 Coeficiente de Estabilización de Referencia ("CER");
- 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:

Type of Business	2013	2012
Anchor Store	869.5	708.2
Clothes and footwear	6,149.9	4,932.8
Entertainment	461.5	351.5
Home	2,322.6	1,795.6
Restaurant	1,161.5	937.4
Miscellaneous	1,438.2	1,186.2
Services	78.8	54.7
Total	12,482.0	9,966.4

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 leaseable 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 leaseable 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 leaseable 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 leaseable 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 fiscal year ended June 30, 2012 to Ps. 126.9 million in 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 leaseable area (41,440 square meters including Museo de los Niños). Abasto is ranked #4 in terms of gross leaseable 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 leaseable 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 fiscal year ended June 30, 2012 to Ps. 276.9 million in 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 leaseable 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 fiscal year ended June 30, 2012 to Ps. 103.1 million in 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 leaseable 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 fiscal year ended June 30, 2012 to Ps. 47.0 million in 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 leaseable 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 fiscal year ended June 30, 2012 to Ps. 42.4 million in 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 available for 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 fiscal year ended June 30, 2012 to Ps. 123.5 million in 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 leaseable 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 available for 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 fiscal year ended June 30, 2012 to Ps. 101.4 million in 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 leaseable 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 fiscal year ended June 30, 2012 to Ps. 58.3 million in 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, 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 Leaseable 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 fiscal year ended June 30, 2012 to Ps. 189.3 million in 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 leaseable 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 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 leaseable 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 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 systems to monitor tenants' sales in all of our shopping centers (except Nuevo Puerto de Santa Fe). Alto Palermo also conduct regular manual audits of Alto Palermo's 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. Alto Palermo uses the information generated from the computer monitoring system for statistics regarding total sales, average sales, peak sale hours, etc., for marketing purposes and as a reference for the processes of internal audit. The lease contracts for tenants in Alto Avellaneda, Alto Palermo, 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 our core activities. Our development of residential apartment complexes consists of the new construction of high-rise towers or the conversion and renovation of existing structures such as factories or warehouses. In connection with our development of residential communities, we frequently acquire vacant land, develop infrastructure such as roads, utilities and common areas, and sell plots of land for construction of single-family homes. We may also develop or sell portions of land for others to develop complementary facilities such as shopping areas within residential developments.

In fiscal year ended June 30, 2013, revenues from the Development and Sale 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 our residential development properties are currently performed, under our supervision, by independent Argentine construction companies that are selected through a bidding process. We enter into turnkey contracts with the selected company for the construction of residential development properties pursuant to which the selected company agrees to build and deliver the development for a fixed price and at a fixed date. We are generally not responsible for any additional costs based upon the turnkey contract. All other aspects of the construction, including architectural design, are performed by third parties.

Another modality for the development of residential undertakings is the exchange of land for constructed square meters. In this way, we deliver undeveloped pieces of land and another firm is in charge of building the project. In this case, we receive finished square meters for commercialization, without taking part in the construction works.

The following table shows certain information and gives an overview regarding our sales and development properties as of June 30, 2013 and 2012:

Development and Sale of Properties

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)	
									2013	2012
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
Torres de Rosario (5) (10)	Apr-99	-	2,509	16	95.67%	100.00%	60.00%	14,982	4,262	5,002
Libertador 1703/1755 (Horizons) (9)	Jan-07	399,355	44,648	467	50.00%	100.00%	100.00%	241,266	117,090	110,596
Other Residential Apartments (6)	N/A	231,677	138,520	1,438				310,895	811	371
Subtotal Residential Apartments		653,893	191,127	1,950				676,484	129,146	125,217
Residential Communities										
Abril/Baldovinos (7) (10)	Jan-95	130,955	5,137	4	100.00%	100.00%	99.50%	238,175	1,113	
El Encuentro (10)	Nov-97	-	6,628	5	100.00%	100.00%	85.00%	15,180	11,698	10,260
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
Land Reserves										
Puerto Retiro	May-97		82,051	-	50.00%	0.00%	0.00%	-		
Santa María del Plata	Jul-97		715,951	-	100.00%	0.00%	10.00%	-		
Pereiraola (10)	Dec-96		1,299,630	-	100.00%	0.00%	100.00%	46,311		
Terreno Rosario (5) (10)	Apr-99		31,000	-	95.67%	0.00%	100.00%	11,072		27,273

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Terreno Baicom	Dec-09	34,500	1	50.00 %	0.00 %	0.00 %	-		
Pilar	Oct-98	740,237	-	100.00 %	0.00 %	0.00 %	-		
Coto Air Space									
(5)	Sep-07	16,167	284	95.67 %	0.00 %	0.00 %	-		
Terreno									
Catalinas Norte	Dec-09	42,625	-	100.00 %	0.00 %	100.00 %	-		
UOM Lujan	Jul-97	1,176,000							
Other Land									
Reserves (8)	Dec-96	13,547,860	-				2,213	39	
Subtotal Land									
Reserves		17,686,021	285				59,596	39	27,273
TOTAL		789,590	17,964,883	2,463			1,003,463	141,996	162,750

Notes:

(1) Total area intended for sale upon completion of the development or acquisition and before the sale of any of the units (including parking and storage spaces but excluding common areas).

In the case of Land Reserves the land area was considered.

(2) Represents the total units or plots upon completion of the development or acquisition (excluding parking and storage spaces).

(3) The percentage sold is calculated dividing the square meters sold by the total saleable square meters.

(4) Corresponds to the company's consolidated total sales.

(5) Through Alto Palermo S.A.

(6) Includes the following properties: Torres de Abasto through APSA (fully sold), units to be received by Beruti through APSA, Torres Jardín, Edificios Cruceros (fully sold),

San Martin de Tours, Rivadavia 2768, Alto Palermo Park (fully sold), Minetti D (fully sold), Dorrego 1916 (fully sold), Padilla 902 (fully sold), Terreno Caballito and

Lotes Pereiraola through IRSA.

(7) Includes the sales of Abril's shares.

(8) Includes the following land reserves: Terreno Pontevedra, Isla Sirgadero, Terreno San Luis, Mariano Acosta, Merlo and Intercontinental Plaza II through IRSA, and C.Gardel 3134 (fully sold), C.Gardel 3128 (fully sold), Agüero 596 (fully sold), República Árabe Siria (fully sold), Terreno Mendoza (fully sold), Zelaya 3102, Conil, Soleil air space and Other APSA (Through APSA)

(9) Owned by CYRSA S.A.

(10) Barter Transactions

Apartment Projects Developed

Horizons Project, Vicente López, Olivos, Province of Buenos Aires. The project was developed by IRSA-CYRELA. It is one of the most significant developments in Greater Buenos Aires, featuring a new concept in residential complexes given its emphasis on the use of common spaces. This project includes two complexes with a total of six buildings.

As of June 30, 2013, preliminary sales agreements had been executed for 100% of our own units on sale. The Towers located in both blocks are completed.

Private Residential Communities

In the residential communities market, we acquire undeveloped properties located in suburban areas or neighborhoods near the large cities to develop private neighborhoods and country clubs in which to sell vacant lots for the construction of single family homes. In these properties we build streets and roads and arrange for the provision of basic municipal services and amenities such as open spaces, sports facilities and security. We seek to capitalize on improvements in transportation and communication around the City of Buenos Aires, the growing suburbanization of the region and the shift of the population moving to countryside-type residential communities.

An important factor in the trend towards living in suburban areas has been the improvements and additions to the Autopista Panamericana, Avenida General Paz and Acceso Oeste highways, which significantly reduce traveling time, encouraging a significant number of families to move to the new residential neighborhoods. Furthermore, improvements in public train, subway and bus transportation since their privatization have also influenced the trend to adopt this lifestyle.

As of June 30, 2013, our residential communities for the construction of single-family homes for sale in Argentina had a total of 5,137 square meters of saleable area in Abril, and 6,628 square meters of saleable area in “El Encuentro” (Benavidez). Both residential communities are located in the province of Buenos Aires.

Abril, Hudson, Greater Buenos Aires. Abril is a 312-hectare private residential community located near Hudson City, approximately 34 kilometers south of the City of Buenos Aires. We have developed this property into a private residential community for the construction of single family homes targeting the upper-middle income market. The project includes 20 neighborhoods subdivided into 1,273 lots of approximately 1,107 square meters each. Abril also includes an 18-hole golf course, 130 hectares of woodlands, a 4,000-square meter mansion and entertainment facilities. A bilingual school, horse stables and sports centers and the construction of the shopping center were concluded in 1999. The neighborhoods have been completed, and as of June 30, 2013, 99.6% of the property had been sold for an aggregate of over Ps. 240 million, with 4 lots (5,137 square meters) available for sale.

Land Reserves

We have acquired large undeveloped properties as land reserves located in strategic areas for the future development of office and apartment buildings, shopping centers and single family housing. We have acquired what we believe to be two of the largest and most important undeveloped river front plots in Buenos Aires, Puerto Retiro and Santa María del Plata, for the future development of residential and office spaces. In addition, we have benefited from the improvement of land values during periods of economic growth. As of June 30, 2013, our land reserves totaled approximately 1,782 hectares (including the lot in Caballito, and the air space over Coto C.I.C.S.A. - “Coto”- where we hold interests through our subsidiary Alto Palermo).

Land Reserves in the City of Buenos Aires

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

As part of the project, we have sold 10% of Solares de Santa María capital stock for US\$10.6 million to Mr. Israel Sutton Dabbah, who is part of the Sutton Group. An initial payment of US\$1.5 million was made and the balance of US\$9.1 million was capitalized in September 2010.

In September 2010, we acquired through E-Commerce Latina 100% of the capital stock of Unicity S.A. for an amount of US\$ 2.5 million. Unicity capitalized its US\$ 9.1 million debt with us and we received in exchange 36,036,000 shares representing 88.61% of Unicity, being held by E-Commerce the remaining 11.39%. Following this transaction, we own 100% of capital stock of Solares de Santa María.

In 1997 we acquired the site which the National Executive Branch had assigned to be the Olympic village of the Olympic Games in case Buenos Aires was chosen as host city to hold the Olympic Games. A rule passed by the Legislative Branch of the City of Buenos Aires in 1992, provided general urban standards to the site, and stated that the “Site urban design” was to be submitted for approval of the Environmental Urban Plan Council (Consejo de Planificación Urbana - “COPUA”). As from the acquisition of this property, we have been seeking the municipal approvals necessary for the development of a mixed project in the area.

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

In March 2007, a committee of the Government of the City of Buenos Aires, composed of representatives from the Legislative and Executive Branches issued a report stating that such Committee had no objections to our development plan and requested that the General Treasury render a decision concerning the scope of the development plan submitted for the project.

In November 2007, 15 years after the Legislative Branch of the City of Buenos Aires granted the general zoning standards for the site, the Government Chief of the City of Buenos Aires executed Decree No. 1584/07, which passed the specific ruling, set forth certain rules for the urban development of the project, including types of permitted constructions and the obligation to assign certain spaces for public use and convenience.

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

Puerto Retiro. Puerto Retiro is an 8.2 hectare undeveloped riverside property bounded by the Catalinas and Puerto Madero office zones to the west, the Retiro railway station to the north and the Río de la Plata to the south and east. One of the only two significant privately owned waterfront properties in the City of Buenos Aires, Puerto Retiro may currently be utilized only for port activities, so we have initiated negotiations with municipal authorities in order to rezone the area. Our plan is to develop a 360,000 square meters financial center. The launching date has not been settled and consequently, the estimated cost and financing method are not decided yet. We own a 50% interest in Puerto Retiro.

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

Coto Residential Project. Alto Palermo owns approximately 24,000 square meters in air space over the top of the Coto hypermarket that is close to the Abasto Shopping Center in the heart of the City of Buenos Aires. .

New projects and undeveloped properties

Purchase of Nobleza Piccardo's Plant (through our subsidiary APSA) On December 28, 2012, in compliance with the lease agreement executed upon the acquisition of the site, Nobleza Piccardo partially vacated the property located in the district of San Martín. Quality Invest received approximately 2,100 square meters of offices and 50,300 square meters of industrial units. Pursuant to the agreement, vacation of the remaining surface area is scheduled for May 2014.

On March 20, Quality Invest S.A. completed the payment for the purchase of the site where Nobleza Piccardo's plant was located. It had been originally agreed that the balance would be payable in three annual consecutive installments of US\$ 7.7 million of principal plus interest at a rate of 7.5%. By means of this payment, the installments for 2013 and 2014 were advanced.

PAMSA-Dot Baires Offices (through our subsidiary APSA) Panamerican Mall S.A., a subsidiary of our subsidiary APSA, developed an office building with a gross leaseable area of 11,242 square meters adjacent to Dot Baires Shopping. This building was inaugurated in May 2009. As of June 30, 2013 the building's occupancy rate was 100%, which marks the entrance by the Company into the booming rental office corridor in the northern area of the City of Buenos Aires

DOT Adjoining Plot (ex Philips) (through our subsidiary APSA) On May 3, 2012, the Government of the City of Buenos Aires, through the General Office of Zoning Interpretation (Dirección General de Interpretación Urbanística) approved, through a pre-feasibility study, the parcel subdivision of the Ex-Philips plot contingent upon the observance of the applicable building regulations in each of the resulting parcels. In addition, all the uses and parameters established under the municipal ordinance previously issued by the above mentioned authority are being observed.

On June 3, 2013, we were given notice that the Government of the City of Buenos Aires had approved the requested parcel subdivision of the ex-Philips plot. As a result, the property was divided into three parcels: 2 parcels of approximately 6,400 square meters and a parcel adjoining DOT Shopping of 15,900 square meters intended for the future extension of the shopping center.

Neuquén Project, Province of Neuquén The main asset of the project is a plot of land of approximately 50,000 square meters. The project contemplates the construction of a shopping center, a hypermarket, a hotel and an apartment building.

On June 4, 2012, pursuant to an agreement entered into between Shopping Neuquén S.A. and the Municipality of Neuquén, a new extension was agreed to resume works on the site, following appointment of a new constructor. The new deadlines contemplate the appointment of a constructor and resumption of works. As of June 30, 2013, the works related to the Shopping are in progress.

APSA signed an agreement with the Municipality of Neuquén in which APSA committed to construct the whole shopping center in a maximum term of 24 months, these will be counted starting from the date of signature of the act of beginning of works. On June 30, 2013 and 2012 and on July 1, 2011 the amount of the developments in Shopping Neuquén rise to Ps. 36.1, Ps. 9.1 and Ps. 4.5 million, respectively.

On June 30, 2013 the contractual obligations corresponds mainly to constructions related with the project above and they rise to Ps. 205 million. The project is estimated to be concluded on September 2014, the project is financed

through a syndicated loan subscribed with different bank institutions, for further information see Item 5.b Indebtedness.

Terreno Paraná On June 30, 2009, Alto Palermo S.A. (APSA) executed a letter of intent whereby it stated its intention to acquire a plot of land of approximately 10,022 square meters in the City of Paraná, Province of Entre Ríos, to be allocated to the construction, development and operation of a shopping center or retail space. The purchase price was US\$ 0.5 million, out of which US\$ 0.05 million were paid as advance payment at the beginning of July 2010, US\$ 0.1 million were paid in August 2010, and the remaining US\$ 0.35 million will be paid upon the execution of the title deed. The certificate of possession of the plot was executed on December 29, 2012.

Arcos del Gourmet. In December 2011, Alto Palermo started to develop the “Arcos” project located in the neighborhood of Palermo, City of Buenos Aires. “Distrito Arcos” will be an open-air space with a variety of premium brands in the exclusive neighborhood of Palermo. APSA expects it to open by the end of 2013 with a high occupancy rate. It has been highly accepted by tenants and more than 80% of the lease agreements have been executed as of today, almost all of them clothes and footwear stores.

This new retail hub is expected to add approximately 13,000 square meters of gross leasable area and 65 stores to APSA’s portfolio, including one cinema of approximately 800 square meters and more than 1000 square meters dedicated to restaurant business.

We hope that this new project, which will combine a retail and a cultural concept, will equal the success of our other latest development projects.

APSA maintain engagements with the City of Buenos Aires’ Government in order to develop the Arcos del Gourmet project. The amount of the construction as of June 30, 2013 and 2012 rise to Ps. 136.3 million and 17.8 million, respectively. On June 30, 2013 the contractual obligations corresponds mainly to constructions related with the project above and rise to Ps 227.3 million. The project is estimated to be concluded by the end of 2013, the project is financed through a syndicated loan subscribed with different bank institutions, for further information see Item 5.b Indebtedness.

Other Land Reserves

Our portfolio also includes twelve land reserve properties located in the City of Buenos Aires and its surrounding areas. These properties are projected for future developments of offices, shopping centers, apartment buildings and residential communities. The main properties under this category include Merlo, Mariano Acosta, Pilar and Pontevedra. We also own a property in the surroundings of the City of Santa Fe called Isla Sirgadero.

Barter transactions

El Encuentro, Benavidez, Tigre. In the district of Benavidez, Municipality of Tigre, 35 kilometers north from downtown Buenos Aires, a 110-hectare gated residential complex known as “El Encuentro” is located, consisting of a total of 527 lots with a total saleable area of 610,785.15 square meters with two privileged front accesses: the main one to Vía Bancalari and the service one to Highway No. 9, allowing an easy way to and from the city. On May 21, 2004 an exchange deed was signed for the original lot whereby DEESA agreed to pay US\$ 4.0 million to our subsidiary Inversora Bolívar, of which US\$ 1.0 million were paid in cash and the balance of US\$ 3.0 million was paid on December 22, 2009, with the transfer of 110 residential plots already chosen, totaling a saleable area of 127,795 square meters. The development of the project is completed and equipped with power supply, water, sewage, effluent treatment plant, public lighting, finished driveways and accesses, buildings, sports facilities, etc.

As of June 30, 2013, after having started its commercialization in March 2010, 109 units had been sold; and 5 units were available for sale.

Sale of Pereiraola, Hudson. Pereiraola S.A., owns 130-hectare undeveloped property adjacent to Abril, a private residential community developed by us. On April 21, 2010, we entered into a purchase and sale agreement with a third party by means of which we agreed to sell 100% of Pereiraola S.A.’s capital stock. The purchase price of the transaction was set at US\$11.8 million plus VAT, which represented a gain of Ps.21.7 million over book value.

On July 2012, the buyer paid the monetary portion of consideration and, as of June 30, 2013, therefore only delivery of the promised lots is pending.

To secure payment of the price, the buyer pledged in our favor its Pereiraola’s shares, which remain in our custody. Additionally, the buyer created a first-degree mortgage over the property in our favor.

Torre Caballito, City of Buenos Aires. This property, with a surface of 8,404 square meters, is situated in the northern area of Caballito’s residential neighborhood in the City of Buenos Aires. On May 4, 2006, IRSA and KOAD S.A. (“KOAD”), an Argentine developer, entered into an asset exchange agreement valued at US\$ 7.5 million pursuant to which it sold to Koad plot number 36 of “Terrenos de Caballito” whereby KOAD has agreed to develop a residential complex called “Caballito Nuevo”, at its costs, consisting of two 34-story towers containing 220 apartments each, consisting of one, two and three bedroom residential units with surface areas ranging from 40 to 85 square meters, totaling approximately 28,000 saleable square meters. The project offers a wide variety of amenities and services. As a result of this transaction, Koad delivered to IRSA 118 apartments and 61 parking lots in the first tower, representing 25% of the total square meters for sale. As of June 30, 2013, 1 apartment and 13 parking spaces were available for sale.

Caballito plot. During fiscal year 2011, we and TGLT executed a barter deed pursuant to which we transferred to TGLT under a swap agreement the property detailed in the deed as described below, which has a total surface area of 9,784 square meters: plot of land, designated as Parcel ONE L, in block 35, facing Méndez de Andes street between Rojas and Colpayo streets in the Caballito neighborhood.

In turn, TGLT agreed to carry out in the property a real estate development for residential use. In exchange for the transfer of the property, APSA will receive non-cash considerations equivalent to US\$ 12.75 million, which consist in transferring under barter to APSA certain home units in the buildings to be built which will represent 23.1% of the saleable area and 21.1% of the parking spaces area. As security for the transaction, TGLT has granted to IRSA a first-degree mortgage over the property in the amount of US\$ 12.75 million.

Pursuant to the Barter Deed executed by the parties the units in Tower 1 will be delivered in October 2014, the units in Tower 2 will be delivered in April 2015 and the units in Tower 3 will be delivered in October 2015.

Torres Rosario Project, City of Rosario, Province of Santa Fe (through our subsidiary APSA) APSA owns a block of land of approximately 50,000 square meters divided into 8 smaller plots in the City of Rosario, near the Alto Rosario Shopping Center. At June 30, 2011, 2 of the plots had been bartered with Condominios del Alto S.A. (plots 2-G and 2-H).

Condominios del Alto I- (parcel 2-G) The project is composed of two opposite blocks of buildings, commercially divided into 8 sub-blocks. Apartments (97 units) are distributed in 6 floors with parking spaces (98 units) in the basement. Condominios del Alto I's amenities include a swimming pool with solarium, a multiple use room, sauna, a gym with dressroom and a laundry. Given its excellent location and construction quality, this development is targeted at a medium-high income segment.

As of June 30, 2013, the project had been completed, with 4 apartments, 5 parking spaces and one storage space being available for sale.

Condominios del Alto II – (parcel 2-H) The project will be composed of two opposite blocks of buildings, commercially divided into 10 sub-blocks. The project will include a total of 189 apartments distributed in 6 floors and 195 parking spaces located in two basements. The amenities will include a swimming pool with solarium, a multiple use room, sauna, a gym with dressroom and a laundry.

As of June 30, 2013, works in parcel H were completed, with 12 apartments (1,608 square meters), 24 parking spaces and 2 storage spaces being available for sale.

Beruti Plot of land. During June 2008, we acquired a plot of land located at Beruti 3351/3359, between Bulnes and Avenida Coronel Díaz in Palermo, a neighborhood in the City of Buenos Aires close to our Shopping Center known as “Alto Palermo Shopping”. The transaction involved a surface area of 3,207 square meters for a price of US\$ 18.8 million. This has been a significant acquisition because of the strategic location of the property. On October 13, 2010, we and TGLT executed the preliminary purchase agreement whereby we sold the lot. As consideration, we received US\$ 10.7 million, 17.33% of the saleable square meters, 15.82% of the residential parking spaces and 170 of the business parking spaces located in the first and second underground levels. As security for the transaction, TGLT delivered us a performance bond for US\$ 4.0 million and a first-degree mortgage in our name for US\$ 8,143,231, over the lot. Delivery is scheduled for November 2013.

Hotels

At the end of the 1997 fiscal year, we acquired the Hotel Llao Llao, our first luxury hotel. Some months later, as part of the acquisition from Pérez Compagnon of the Old Alto Palermo, we acquired an indirect 50% interest in the Hotel Intercontinental in Buenos Aires. In March 1998, we acquired the Hotel Libertador. During the fiscal year 1999, we sold a 20% interest in the Hotel Libertador to Hoteles Sheraton de Argentina S.A., (“Hoteles Sheraton de Argentina”) and during the fiscal year 2000, we sold 50% of our interest in the Hotel Llao Llao to the Sutton Group. During the fiscal year 2007 we increased our share in Inversora Bolivar by 100% and obtained an indirect share in the Hotel Intercontinental of 76.34%.

The following chart shows certain information regarding our luxury hotels:

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Hotels	Date of Acquisition	IRSA's Effective Interest	Number of Rooms	Average Occupancy	Average Price per Room (Ps.)	Accumulated Sales as of June 30 (in thousands of Ps.)	2013	2012	Book Value (in thousands of Ps.)
Intercontinental (3)	11/01/97	76.34 %	309	67.9 %	737	87.081	85.977	48,048	
Sheraton Libertador (4)	03/01/98	80.00 %	200	74.1 %	684	52.089	55.642	33,307	
Llao Llao (5)	06/01/97	50.00 %	201	54.2 %	1,401	86.666	28.393	86,845	
Terrenos Bariloche (5)	12/01/06	50.00 %	N/A	N/A	N/A				
Total	-	-	710	65.4 %	941	225.836	170.012	168,200	

Notes:

- (1) Accumulated average in the twelve-month period.
- (2) Accumulated average in the twelve-month period.
- (3) Indirectly owned through Nuevas Fronteras S.A.
- (4) Indirectly owned through Hoteles Argentinos S.A.
- (5) Indirectly owned through Llao Llao Resorts S.A.

Hotel Llao Llao, San Carlos de Bariloche, Province of Rio Negro. In June 1997 we acquired the Hotel Llao Llao from Llao Llao Holdings S.A. 50% is currently owned by the Sutton Group. The Hotel Llao Llao is located on the Llao Llao peninsula, 25 kilometers from San Carlos de Bariloche and is one of the most important tourist hotels in Argentina. Surrounded by mountains and lakes, this hotel was designed and built by the famous architect Bustillo in a traditional alpine style and first opened in 1938. The hotel was renovated between 1990 and 1993 and has a total constructed surface area of 15,000 square meters and 158 rooms. The hotel-resort also includes an 18-hole golf course, tennis courts, health club, spa, game room and swimming pool. The hotel is a member of The Leading Hotels of the World, Ltd., a prestigious luxury hospitality organization representing 430 of the world's finest hotels, resorts and spas. The Hotel Llao Llao is currently being managed by Compañía de Servicios Hoteleros S.A., which manages the Alvear Palace Hotel, a luxury hotel located in the Recoleta neighborhood of Buenos Aires. During 2007, the hotel was subject to an expansion and the number of suites in the hotel rose to 201 rooms.

Hotel Intercontinental, City of Buenos Aires. In November 1997, we acquired 51% of the Hotel Intercontinental from the Pérez Companc S.A. and during the fiscal year 2007 we increased our share in Inversora Bolivar by 100% and obtained an indirect share in the Hotel Intercontinental of 76.34%. The Hotel Intercontinental is located in the downtown City of Buenos Aires neighborhood of Monserrat, adjacent to the Intercontinental Plaza office building. Intercontinental Hotels Corporation, a United States corporation, currently owns 24% of the Hotel Intercontinental. The hotel's meeting facilities include eight meeting rooms, a convention center and a divisible 588 square meters ballroom. Other amenities include a restaurant, a business center, a spa and a fitness facility with swimming pool. The hotel was completed in December 1994 and has 309 rooms. The hotel is managed by the Intercontinental Hotels Corporation.

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

Terreno Bariloche, "El Rancho," San Carlos de Bariloche, Province of Río Negro. On December 14, 2006, through our hotel operator subsidiary, Llao Llao Resorts S.A., we acquired a land covering 129,533 square meters of surface area in the City of San Carlos de Bariloche in the Province of Río Negro. The total price of the transaction was US\$7.0 million, of which US\$4.2 million were paid cash and the balance of US\$2.8 million was financed by means of a mortgage to be paid in 36 monthly, equal and consecutive installments of US\$0.086 million each. The land is in the border of the Lago Gutiérrez, close to the Hotel Llao Llao in an outstanding natural environment and it has a large cottage covering 1,000 square meters of surface area designed by the architect Ezequiel Bustillo.

International Investments

Acquisition of companies in the real estate business in the Republic of Uruguay. In the course of the fiscal year 2009 we acquired a 100% ownership interest in Liveck S.A., a company organized under the laws of Uruguay, in exchange for a token consideration. In June 2009, Liveck acquired a 90% stake in the capital stock of Vista al Muelle S.A. and Zetol S.A., two Uruguay-based real estate companies, for US\$ 7.8 million. The remaining 10% ownership interest in both companies is held by Banzey S.A. (Banzey). These companies have undeveloped lands in Canelones, Uruguay, close to the capital city of Uruguay, Montevideo.

The total purchase price for Zetol S.A. was US\$ 7.0 million; there has been a down payment for US\$ 2.0 million and it has been agreed that the balance shall be cancelled in 5 installments of US\$ 1.0 million each, accruing interest at an annual 3.5% rate on outstanding balances, against the consummated launches of the projected construction or within a maximum term of 93 months counted as from the date of acquisition by us. The sellers may choose to receive, in lieu of cash for the outstanding balances (principal plus interest), ownership over units in the buildings to be constructed in the land owned by Zetol S.A. equivalent to 12% of the total marketable meters to be constructed.

The total price for the acquisition of Vista al Muelle S.A. was US\$ 0.83 million, as follows: there has been a US\$ 0.5 million down payment and it has been agreed that the balance will be cancelled within a maximum term of two years plus an annual 8% interest rate on balances.

To secure compliance with the obligations assumed by Liveck in connection with the above-mentioned transactions, Ritelco S.A. has tendered a surety bond to secure 45% of the price balance, interest, and the sellers' option rights.

There is a mortgage over the land bought, which means that the sellers rely on a dual guarantee. As of June 30, 2009, we sold a 50% stake in Liveck to Cyrela Brazil Realty S.A for US\$ 1.3 million.

Under the agreement for the purchase and sale of Zetol and Vista al Muelle and its respective addenda, Liveck has undertaken to acquire the shareholding held by Banzey (or by Ernesto Kimelman or by an entity owned by him, as applicable) in those companies and Banzey has agreed to sell the shares for the amount in US Dollars or in Uruguayan Pesos, as applicable, that any of them would have effectively contributed to Zetol and Vista al Muelle, until the transaction is consummated.

In December 2009, Vista al Muelle acquired a real property for a purchase price of US\$ 1.9 million; there has been a US\$ 0.3 million down payment and the balance shall be cancelled through the delivery of housing units and/or storefronts to be constructed and equivalent to 12% of a 65.54% portion of the sum of the prices of all the units covered by the Launching Price List for Sector B (the parties have already signed a plat of subdivision to this end).

In February 2010, it acquired a real estate for a purchase price of US\$ 1.0 million in exchange for a down payment of US\$ 0.15 million with the balance to be paid in 3 consecutive and equal installments maturing on December 31, 2011, June 30, 2013 and December 30, 2014 and accruing an annual 3% interest rate on the outstanding balance, payable quarterly and in arrears as from December 31, 2009.

On December 17, 2010, we entered into a stock purchase agreement with Cyrela pursuant to which we purchased from Cyrela a 50% interest in Liveck S.A. for US\$ 2.7 million. Accordingly, as of June 30, 2012, our interest, through Tyrus, in Liveck is 100%.

We intend to carry out an urban project consisting of the construction of apartment buildings to be subsequently sold. The project has been granted the requisite "urban feasibility" status by the Mayor's Office of the Canelones department and by its local legislature.

As of June 30, 2013 the architectural project continues to progress. The local firms involved are Gómez Platero and Kimelman Moraes.

Lipstick building, New York, United States. In July 2008, we (through our subsidiaries) acquired a 30% equity interest in Metropolitan, whose principal asset is an office building known as "Lipstick Building", and the debt related to this asset. The transaction included the acquisition of (i) put rights effective July 2011 over 50% of the interest purchased for a price equal to the amount invested plus interest at rate of 4.5% per annum and (ii) a right of first offering for the acquisition of 60% of the 5% equity interest. The price paid for the transaction was US\$ 22.6 million.

During the fiscal year 2011, as a result of negotiations successfully undertaken, an agreement was reached to restructure Metropolitan's debt as follows:

(i) the mortgage debt was reduced from US\$ 210.0 million to US\$ 130.0 million at a Libor rate + 400 basis points, subject to a cap of 6.25% and a 7-year maturity term;

(ii) the junior debt, amounting to US\$ 45.0 million (excluding accrued interest) was repaid with the payment of US\$ 2.25 million; and

(iii) the existing ground leases will be maintained under the same terms and conditions as they were granted, in principle for a remaining period of 66 years.

This restructuring took place on December 30, 2010. On such date, a principal payment of US\$ 15.0 million (previously contributed by us) was made under the new restructured mortgage debt, reducing it from US\$ 130.0 million to US\$ 115.0 million.

Following such closing, we indirectly hold 49% of New Lipstick LLC, a holding company that is owner of Metropolitan, and under the scope of these agreements, we cancelled the put option for 50% of the equity interest initially acquired.

The Lipstick Building is a landmark building in the City of New York, located on Third Avenue and 53rd Street in Midtown-Manhattan, New York. It was designed by architects John Burgee and Philip Johnson (Glass House and Seagram Buildings among other remarkable works) and its name is due to its original elliptic form and the redish color of its façade. Its gross leaseable area is around 57,500 square meters distributed in 34 stories.

As of June 30, 2013, this building had an occupancy rate of 86.2% generating average revenues above US\$ 62.9 per square meters per month.

Building located at 183 Madison Avenue, New York, NY. In December 2010, we, through Rigby 183 LLC (“Rigby 183”), in which we indirectly hold a 49% stake through IMadison LLC (“IMadison”), jointly with other partners, acquired a building located at 183 Madison Avenue, Midtown South, Manhattan, New York. This area involves famous and prominent buildings such as, the Empire State Building, the Macy’s Herald Square, and the Madison Square Garden and it also has one of the largest office and store markets, excellent access to transportation, restaurants, stores and entertainment options.

The purchased property consists of a pre-war building built in 1925 designed by the architecture firm Warren & Wetmore (the same that designed the Grand Central Terminal of New York).It has 19 office stories for rent and a store on its Ground Floor. The net leaseable area is approximately 22,893 square meters, 3,523 square meters of which correspond to retail storesand 19,677 square meters are offices.

The total purchase price was US\$ 85.1 million (US\$ 3,793 per leaseable square meters) composed of US\$ 45.1 million of principal (IMadison contributed US\$ 23.5 million) and US\$ 40 million under a loan granted by M&T Bank at a rate of 5.01% per annum due in 5 years and a facilities loan for US\$ 10 million to carry out the capex and prebuilds program.

On November 27, 2012, we increased our interest in Rigby 183 LLC, owner of the Madison 183 building located in Manhattan, to 74.50%, thus consolidating the results of the investment in the company’s statement of income.

As of June 30, 2013, the building’s occupancy rate was 98.5%.

Supertel Hospitality Inc.

In March 2012, through our subsidiary Real Estate Strategies, L.P. in which we hold a 66.8% interest, we have consummated the acquisition of 3,000,000 Series C convertible preferred shares issued by Supertel Hospitality Inc. for a total amount of US\$ 30,000,000. Such preferred shares will bear an annual 6.25% preferred dividend and will carry the same voting rights as common shares.

In addition and subject to certain restrictions, they will be convertible into common shares at the rate of ten shares for each preferred share for a term of 5 years.

Furthermore, pursuant to the has aforementioned acquisition we have received warrants to acquire 30 million additional common shares, that, subject to certain restrictions, can be exercised at any time during the 5-year period from closing of the transaction (such exercise being mandatory under certain conditions following 3 years from such closing) at a price of US\$ 1.20 per share.

Pursuant to the investment agreements, we are entitled to appoint up to 4 directors of 9 directors and to exercise preemptive rights over future issues of shares.

As of the date hereof, we hold voting rights in respect of a 34% interest in Supertel Hospitality Inc. Likewise, exercise of the rights of conversion into common shares under both the preferred shares and warrants is limited to the same percentage.

On September 26, 2013, Supertel announced that due to the current market conditions and their pricing expectations they were withdrawing the proposed underwritten public offering of its common stock.

Investment in Hersha Hospitality Trust. Hersha's portfolio of hotels comprises majority stakes in 56 hotels and ownership interests in 8 hotels through joint ventures. These hotels are all within the "select service" and "upscale hotels" categories. In the aggregate, Hersha's 64 hotels represent over 9,221 rooms and are mainly located in Arizona, California, Connecticut, Delaware, Maryland, Massachusetts, New Jersey, New York, North Carolina, Pennsylvania, Rhode Island and Virginia. The properties are operated under highly prestigious, leading franchises (such as Marriott®, Courtyard by Marriott®, Residence Inn®, Fairfield Inn®, Springhill Suites®, TownePlace Suites®, Hilton®, Hilton Garden Inn®, Hampton Inn®, Homewood Suites®, Hyatt Summerfield Suites®, Holiday Inn®, Holiday Inn Express®, Comfort Inn®, Mainstay Suites®, Sleep Inn®, Sheraton Hotel®, and Hawthorn Suites®). Hersha also operates some of its hotels through independent boutique hotel chains.

On August 4, 2009, through Real Estate Investment Group L.P. ("REIG"), a company indirectly controlled and managed by us, together with other minority investors, we acquired 5.7 million common shares of Hersha, a leading company in the hotels segment in the United States, for a total purchase price of US\$ 14.3 million. Accessorily to the initial acquisition of our equity interest in Hersha, we have an option to buy up to 5.7 million additional common shares in Hersha at a price of US\$ 3.00 per share exercisable at any time prior to July 31, 2014 subject to certain conditions. In addition, as a part of the investment agreements, our Director and Chief Real Estate Business Officer, Mr. Daniel R. Elsztain, was appointed member of the board of trustees of Hersha.

In January 2010, we acquired 4.8 million additional shares for a total price of US\$ 14.4 million, increasing our stake in Hersha to 10.3%. In turn, on March 24, 2010, Hersha resolved upon a capital increase whereby it issued 27,600,000 Class A common shares. In connection with this increase we exercised our preemptive subscription rights granted under the initial transaction and acquired 3,864,000 additional Class A common shares for a price per share of US\$ 4.25, for a total amount of US\$ 16.4 million. In October 2010, under the scope of the new issue of capital, we acquired 2,952,625 Class A common shares, at a price per share of US\$ 5.8 for a total amount of US\$ 17.1 million. Then, during this fiscal period, we sold a total of 2,542,379 Class A common shares, at a weighted average price of US\$ 5.63 for a total amount of US\$ 14.3 million. Therefore, as of June 30, 2011, our interest in Hersha amounted to 9.2%.

On February 10, 2012, Hersha gave notice to REIG of exercise of its call option for 5,700,000 shares in Hersha granted in August 2009 under the agreements executed in due course. Therefore, Hersha issued 2,521,561 shares and REIG was not required to pay any price. The price of the shares is US\$ 13.6 million. In addition, pursuant to the investment agreements, we have a representative in Hersha's Board of Trustees, which is currently composed of nine members.

During the fiscal year 2013, we sold 17,105,629 ordinary shares of Hersha for a total amount of USD 92.5 million. Consequently, as of June 30, 2013 our interest in Hersha's capital stock decreased from 9.13% (at the beginning of this year) to 0.49%. At present, we hold a residual interest of 1,000,000 common shares.

Office and Other

Overview

We are engaged in the acquisition, development and management of Offices and other non-shopping center rental properties in Argentina. As of June 30, 2013, we directly and indirectly owned interests in office and other rental properties in Argentina, which comprised 205,273 square meters of gross leaseable area. Out of these properties, 12 were office properties, which comprised 131,085 square meters of gross leaseable area. For the fiscal year 2013, we had revenues from Offices and other non-shopping center rental properties of Ps. 291.1 million.

All our office rental property in Argentina is located in Buenos Aires City. For the year ended June 30, 2013, the average occupancy rate for all our properties in the Offices and Other segment was approximately 97.1%.

Management.

We generally act as the managing agent of the office properties in which we own an interest. These interests consist primarily of the ownership of entire buildings or a substantial number of floors in a building. The buildings in which we own floors are generally managed pursuant to the terms of a condominium agreement that typically provides for control by a simple majority of the interests (based on the area owned) in the building. As the managing agent of operations, we are responsible for handling services, such as security, maintenance and housekeeping. These services are generally outsourced. The cost of the services is passed-through and paid for by the tenants, except in the case of our units not rented, in which case we absorb the cost. Our leaseable space is marketed through commissioned brokers, the media and directly by us.

Leases.

We usually lease our offices and other rental properties by using contracts with an average term of three years, with the exception of a few contracts with terms of five years. These contracts are renewable for two or three years at the tenant's option. Contracts for the rental of office buildings and other commercial properties are generally stated in U.S. dollars, and in accordance with Argentine law they are not subject to inflation adjustment. Rental rates for renewed periods are negotiated at market value.

Properties.

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

	Date of Acquisition	Gross Leaseable Area (sqm) (1)	Occupancy Rate (2)	IRSA's Effective Interest		Monthly Rental Income (in thousands of Ps.) (3)	Annual Accumulated Rental Income over Fiscal Years ended June 30, (in Thousand of Ps.)		Book Value (in thousands of Ps.)	
							2013	2012		
Offices										
Edificio República	04/28/08	19,884	95,2 %	100 %		2,988	45,381	36,716	206,691	
Torre Bankboston	08/27/07	14,873	96,4 %	100 %		2,277	34,181	30,233	146,399	
Bouchard 551	03/15/07	12,081	100 %	100 %		1,965	42,740	39,626	90,383	
Intercontinental										
Plaza	11/18/97	22,535	100 %	100 %		2,739	43,566	35,296	70,314	
Bouchard 710	06/01/05	15,014	100 %	100 %		2,404	32,825	26,309	62,657	
Dique IV, Juana Manso 295										
Maipú 1300	09/28/95	9,399	97,3 %	100 %		1,238	21,359	19,036	32,221	
Libertador 498	12/20/95	620	100 %	100 %		241	3,077	5,256	3,584	
Suipacha 652/64	11/22/91	11,453	89,9 %	100 %		809	11,672	9,877	9,207	
Madero 1020	12/21/95	101	100 %	100 %		2	24	31	155	
Dot Building (7)	11/28/06	11,242	100 %	96 %		1,125	18,660	12,673	102,031	
Other Offices (4)	-	2,585	89,4 %	N/A		210	2,652	8,655	4,928	
Subtotal Offices		131,085	97,1 %	N/A		17,655	279,399	244,113	785,759	
Other Properties										
Commercial Properties (5)										
Santa María del Plata S.A.	07/10/97	60,100	100 %	100 %		129	3,804	1,594	12,495	
Predio San Martín	05/31/11	13,814	100 %	50 %		931	7,117	8,150	10,567	
Other Properties(6)	12/17/09					15	803	115	11,481	
Subtotal Other Properties		74,188	100 %	N/A		1,075	11,724	9,859	35,312	
Total Offices and Other		205,273	98,0 %	N/A		18,730	291,123	253,972	821,071	

Notes:

(1) Total leaseable area for each property as of June 30, 2013. Excludes common areas and parking.

(2) Calculated dividing occupied square meters by leaseable area as of June 30, 2013.

(3) Agreements in force as of 06/30/13 for each property were computed.

(4) Includes the following properties: Av. de Mayo 595, Rivadavia 2774, Costeros Dique IV.

(5) Includes the following properties: Constitución 1111.

(6) Includes the following properties: Constitución 1159.

(7) Through Alto Palermo S.A. – The building has income as from August 2010.

The following table shows a schedule of the lease expirations of our office and other properties for leases outstanding as of June 30, 2013, assuming that none of the tenants exercise renewal options or terminate their lease early. Most tenants have renewal clauses in their leases.

Fiscal year of lease expiration	Number of leases expiring	Surface area subject to expiring leases (sqm)	Percentage of total surface area subject to expiration (%)	Annual rental income under expiring leases (Ps. thousand)	Percentage of total rental income under expiring leases (%)
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.

The following table shows our offices occupancy percentage as of the end of the fiscal years 2013 and 2012:

Offices	Occupancy Rate Fiscal Year ended June 30,			
	2013		2012	
Edificio República	95.2	%	90.0	%
Torre Bankboston	96.4	%	96.0	%
Bouchard 551	100.0	%	100.0	%
Intercontinental Plaza	100.0	%	100.0	%
Bouchard 710	100.0	%	100.0	%
Dique IV, Juana Manso 295	94.4	%	92.0	%
Maipú 1300	97.3	%	98.0	%
Libertador 498	100.0	%	100.0	%
Suipacha 652/64	89.9	%	90.0	%
Madero 1020	100.0	%	0.0	%
DOT Building	100.0	%	100.0	%
Others (2)	97.1	%	88.0	%

(1) Leased surface area in accordance with agreements in effect as of June 30, 2013 and 2012 considering the total leaseable office area for each year.

(2) Includes the following properties: Madero 942 (fully sold), Av. de Mayo 595, Av. Libertador 602 (fully sold), Rivadavia 2774, Sarmiento 517, Dock del Plata (fully sold), Edificio Costeros (fully sold), Laminar (fully sold) and Reconquista 823/41 (fully sold).

The following table sets forth the annual average income per square meter for our offices during the fiscal years ended June 30, 2013 and 2012:

Offices	Annual Average income per square meter Fiscal year ended June 30, (1)	
	2013	2012
	(Ps./sqm)	(Ps./sqm)
Intercontinental Plaza	2,282	1,847
Bouchard 710	2,298	2,033
Bouchard 557	2,033	1,695
Libertador 498	1,933	1,566
Maipú 1300	2,186	1,752
Madero 1020	2,059	1,806
Suipacha 652/64	2,078	1,852
Costeros Dock IV	4,963	2,122
Torre Bankboston	1,019	862
Edificio República	238	-
Dique IV, Juana Manso 295	1,660	1,127
Dot Building	894	3,878
Others (2)	2,282	1,847

- (1) Calculated considering annual leases to total leaseable office area, in accordance with our percentage of ownership in each building.
- (2) Includes the following properties: Madero 942 (fully sold), Av. de Mayo 595, Av. Libertador 602 (fully sold), Rivadavia 2774, Sarmiento 517, Dock del Plata (fully sold), Edificio Costeros (fully sold), Laminar (fully sold) and Reconquista 823/41 (fully sold).

Additional Information About Our Office Properties

Below is information regarding our principal currently owned office properties, including the names of the tenants occupying 5% or more of the gross leaseable area of each property.

Edificio República, City of Buenos Aires. This property, which was designed by the renowned architect César Pelli (who also designed the World Financial Center in New York and the Petronas Towers in Kuala Lumpur) is a unique premium office building in downtown Buenos Aires and adds approximately 19,884 gross leaseable square meters to our portfolio distributed in 20 floors. The main tenants include Apache Energía, Deutsche Bank, Estudio Beccar Varela, BASF Argentina S.A., Enap Sipetrol Argentina S.A., and Facebook.

Torre Bank Boston, City of Buenos Aires. The Bank Boston tower is a modern office building in Carlos Maria Della Paolera 265 in the City of Buenos Aires. Having been designed by the renowned architect Cesar Pelli, it has 31,670 square meters in gross leasable area. We have a 48.5% ownership interest in the building. At present, its main tenants are Exxon Mobile and Kimberly Clark Argentina.

Bouchard 551, City of Buenos Aires. Bouchard 551, known as “Edificio La Nación”, is an office building we acquired in March 2007, located in the Retiro area close to the intersection of the Leandro N. Alem and Córdoba avenues and opposite Plaza Roma. The building is a 23-story tower covering a surface area of 2,900 square meters in the low floors that becomes smaller as it goes higher up to 900 square meters approximately, and parking for 177 units. We have approximately 12,100 leaseable square meters in the building and our main tenants include Price Waterhouse & Co., AS. EM. S.R.L.

On September 19, 2012, we sold 2,384 square meters from two floors of offices with their parking lots, at approximately US\$/sqm 3,570. On July 2, 2013, we sold three floors of offices (8,481 square meters) and 56 parking spaces at approximately US\$/sqm 3,250.

Intercontinental Plaza, City of Buenos Aires. Intercontinental Plaza is a modern 24-story building located next to the Intercontinental Hotel in the historic neighborhood of Monserrat in downtown City of Buenos Aires. We own the entire building, which has floors averaging 900 square meters with 324 parking spaces. The principal tenants currently include Total Austral S.A., Danone Argentina S.A., Alto Palermo, Cognizat Technology Solutions Argentina and Industrias Pugliese S.A.

Dique IV, Juana Manso 295, Puerto Madero, City of Buenos Aires. About mid-May 2009 we completed an office building located in Puerto Madero's Dock IV. It is a luxury building with a leaseable area of approximately 11,298 square meters composed of large and versatile spaces. Its lay-out is optimum both for companies that require smaller office space at an average 200 square meters and for corporations that need the entire floor. The building has nine office stories and retail stores in the first story. The main tenant in the building is Exxon Mobile.

Bouchard 710, City of Buenos Aires. Bouchard 710 is an office building acquired by us in June 2005, located in the Retiro area. The building is a 12-story tower, with an average area per floor of 1,251 square meters, with 180 units for car parking. Tenants are Sibille S.C. (KPMG), and Microsoft de Argentina S.A., Samsung Electronics Argentina S.A., Energy Consulting Services S.A. and Chubb Argentina de Seguros S.A.

Maipú 1300, City of Buenos Aires. Maipú 1300 is a 23-story office tower opposite Plaza San Martín, a prime office zone facing Avenida del Libertador, an important north-to-south avenue. The building is also located within walking distance of the Retiro commuter train station, the city's most important public transportation hub, connecting rail, subway and bus transportation. We own 9,400 square meters, with an average area per floor of 440 square meters. The building's principal tenants currently include Allende & Brea, Verizon Argentina S.A., PPD Argentina S.A. and TV Quality SRL.

Libertador 498, Ciudad de Buenos Aires. Libertador 498 is a 27-story office tower at the intersection of three of the most important means of access to the city. This location allows for easy access to the building from northern, western and southern Buenos Aires. We are owners of 4 stories with an average area per floor of 620 square meters and of 137 parking spaces. This building features a unique design in the form of a cylinder and a highly visible circular lighted sign at the top which turn it into a landmark in the Buenos Aires skyline. The main tenants include Sideco Americana S.A., Goldman Sachs Argentina LLC, Empresa Argentina de Soluciones Satelitales S.A., Japan Bank for the International Cooperation, Gates Argentina S.A., Kandiko S.A. and Allergan Productos Farmacéuticos S.A.

During Fiscal Year 2013, the Company sold all but 1,857 square meters of this building.

Edificios Costeros, Dique IV, City of Buenos Aires. On August 29, 2001, we signed the deed of purchase of "Section C" of the office complex known as Puerto del Centro that includes buildings "5" and "6." The property is located in the Puerto Madero area and has approximately 5,500 square meters of gross leaseable area and 50 parking spaces. The building's principal tenants currently include Nextel Argentina S.A., Celistics S.A., London Supply S.A.C.I.F.I., Banco Río de la Plata S.A. and Escuela Argentina de Marketing S.A. On June 15, 2012, we sold 4,703 square meters in built office space with 46 parking spaces and 4 supplementary storage spaces. The transaction price was Ps. 69.0 million. On January 8, 2013 we sold two functional units, two parking spaces and a storage space totaling 381 square meters at Ps. 9.2 million.

Suipacha 652/64, City of Buenos Aires. Suipacha 652/64 is a 7-story office building located in the office district of the city. We own the entire building and 70 parking spaces. The building has unusually large floors, most measuring 1,580 square meters. This property underwent substantial renovations shortly after we acquired the deed in 1991 to prepare the building for rental. The building's principal tenants currently include Gameloft Argentina S.A., Monitor de Medios Publicitarios S.A, Organización de Servicios Directos Empresarios (OSDE) and Alto Palermo's subsidiary, Tarshop S.A.

PAMSA-Dot Baires Offices. Panamerican Mall S.A., a subsidiary of our subsidiary APSA, developed an office building with a gross leaseable area of 11,241 square meters adjacent to Dot Baires Shopping. This building was opened in July 2010, which means our landing in the booming rental office corridor in the northern area of the City of Buenos Aires. As of June 30, 2012 the building's occupancy rate was 100%. The principal tenants include General Electric International Inc., Metrogames, Mallinckrodt Medical Arg. Limited, Carrier and Boston Scientific Argentina

S.A.

Other office properties. We also have interests in other office properties, all of which are located in the City of Buenos Aires. These properties are either entire buildings or floors in buildings. These properties include Suipacha 664 and Av. de Mayo 589.

Retail and other properties.

Our portfolio of rental properties as of June 30, 2013 includes 5 non-shopping center leaseable properties that may be leased as shops on streets, a lot in industrial premises, undeveloped plots of land or other properties for various uses. Most of these properties are located in the City of Buenos Aires, although some are located in other cities in Argentina. These properties include Constitución 1111, Solares de Santa María, Constitución 1159, Madero 1020 and Rivadavia 2774.

Terreno Catalinas Norte

On May 26, 2010, jointly with the Government of the City of Buenos Aires, we executed a deed of conveyance of title whereby we acquired a property located at Avenida Eduardo Madero 150, between Av. Córdoba and San Martín. The total price of the transaction was fixed in the amount of Ps. 95 million, Ps. 19 million of which were paid upon the execution of the preliminary sales agreement (on December 17, 2009), whereas the balance of Ps. 76 million was paid upon the execution of the deed on May 26, 2010.

Our Investment in Banco Hipotecario

As of June 30, 2013, we owned approximately 29.77% of Banco Hipotecario which represented 12.45% of our consolidated assets as of such date. Established in 1886 by the Argentine government and privatized in 1999, Banco Hipotecario has historically been Argentina's leading mortgage lender, provider of mortgage-related insurance and mortgage loan services. All of its operations and customers are located in Argentina where it operates a nationwide network of 56 branches and 16 sales offices. Additionally, its subsidiary Tarshop S.A. has 31 sales offices.

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. As of June 30, 2013, Banco Hipotecario ranked eleventh in the Argentine financial system in terms of shareholders' equity and thirteenth in terms of total assets. As of June 30, 2013, Banco Hipotecario's shareholders' equity was Ps.3,608.3 million, its consolidated assets were Ps.17,340.4 million, and its net income for the twelve-month period ended June 30, 2013 was Ps.339.1 million. Since 1999, Banco Hipotecario's shares have been listed on the Buenos Aires Stock Exchange in Argentina, and since 2006 it has had a Level I GDR program.

Banco Hipotecario's business strategy is focused on leveraging its financial position and developing a diversified banking business built on its existing mortgage franchise. Since its debt restructuring in 2004, it began to make progress in this diversification strategy, growing its lending business and developing new business lines, implementing integrated technological solutions to enable its entry into retail banking, extending its marketing network and creating back-office services to support its new operations.

As part of its business diversification strategy, Banco Hipotecario expanded its products offering personal loans, mortgages and asset-backed loans. It also expanded its corporate loan product offerings and implemented certain customer loyalty strategies. In response to demand for retail and wholesale time deposits and savings accounts, Banco Hipotecario expanded its deposit base offering personal checking accounts and launched the Visa Banco Hipotecario credit card which has steadily grown in terms of market penetration and transaction size. Banco Hipotecario also continued its strategy of expanding the offering of non-mortgage related insurance products, including combined family, life, unemployment, health, personal accident and ATM theft insurance.

Banco Hipotecario seeks to achieve a balanced portfolio of mortgage loans, consumer financing and corporate credit lines, while maintaining an adequate risk management policy. As of June 30, 2013, its portfolio of non-mortgage loans represented 80.3% of its total loan portfolio, compared to 79.5% as of June 30, 2012.

During the period ended June 30, 2013, Banco Hipotecario also experienced continued growth in deposits, including savings accounts and time deposits.

The following table sets forth Banco Hipotecario's sources of funding as of the dates indicated.

	On June 30,		% Change	
	2013	2012	2013/2012	
	(in millions of Pesos, except for percentages) (2)			
Bonds(1)	2,291.7	1,984.0	15.5	%
Repo	-	90.5		NA
Borrowings from Central Bank	-	6.9		NA
Borrowings from bank and international entities	393.0	550.9	(28.7))%
Deposits	8,978.1	6,943.2	29.3	%
Total	11,662.8	9,575.5	30.1	%

(1) Excludes accrued interest.

(2) Consolidated information.

On October 10, 2012 Banco Hipotecario paid dividends for the total amount of Ps. 100 million, corresponding to the dividend approved on April, 2011 by the shareholder meeting.

On August 23, 2013 the Ordinary General Shareholders' Meeting resolved to distribute Ps. 30 million of cash dividends on ordinary shares. This decision has been approved by BCRA.

Seasonality

Our "shopping centers" business unit is subject to strong seasonality. During the summer holiday season (January and February) our tenants experience their minimum sales levels, compared to the winter holiday season (July) and December (Christmas) when our tenants tend to reach their peak sales figures. Clothes and footwear tenants tend to change their collections in the spring and fall. This has a positive effect on the sales of stores. Discount sales at the end of each season also have a major impact on our business.

Competition

Office and Other

Substantially all of our office and other non-shopping center rentals are located in developed urban areas. There is a great number of office buildings, shopping malls, retail and residential premises in the areas where our properties are located. This is a highly fragmented market, and the abundance of comparable properties in our vicinity may adversely affect our ability to rent or sell office space and other real estate as well as the sale and rental price of the properties.

In the future, both national and foreign companies may participate in Argentina's real estate development market, competing with us for business opportunities. Moreover, in the future we may participate in the development of real estate in foreign markets, potentially encountering well established competitors.

Shopping centers

Because most of our shopping centers are located in developed and highly populated areas, there are competing shopping centers within, or in close proximity to, our targeted areas. The number of shopping centers in a particular area could have a material effect on our ability to lease space at our shopping centers and on the amount of rent that we are able to charge. We believe that due to the limited availability of large plots of land and zoning restrictions in the City of Buenos Aires, it will be difficult for other companies to compete with us in areas through the development of new shopping center properties. Our principal competitor is Cencosud S.A. which owns and operates Unicenter shopping center and the Jumbo hypermarket chain, among others.

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

Company	Shopping Center	Location (1)	Gross Leaseable Area	Stores	National GLA Percentage (2)	Stores Percentage (2)		
APSA								
	Abasto de Buenos Aires	CABA	41,440	175	2.26	%	2.77	%
	Alto Palermo Shopping	CABA	18,690	146	1.12	%	2.31	%
	Buenos Aires Design (3)	CABA	13,746	61	0.82	%	0.97	%
	Dot Baires Shopping	CABA	49,719	153	2.98	%	2.42	%
	Paseo Alcorta (4)	CABA	52,791	109	0.85	%	1.73	%
	Patio Bullrich	CABA	11,683	82	0.70	%	1.30	%
	Córdoba Shopping (4)	Córdoba	22,088	105	0.91	%	1.66	%
	Alto Avellaneda (4)	GBA	67,897	140	2.21	%	2.22	%
	Mendoza Plaza Shopping (4)	Mendoza	42,238	147	2.53	%	2.33	%
	Alto Rosario	Rosario	39,952	146	1.66	%	2.31	%
	Alto Noa (4)	Salta	19,141	91	1.15	%	1.44	%
	La Ribera Shopping	Santa Fe	8,378	50	0.50	%	0.79	%
	Soleil (4)	GBA	24,109	75	0.82	%	1.19	%
	Subtotal		411,872	1,480	18.51	%	23.44	%
Cencosud S.A.(4)								
	Subtotal		617,924	1,438	37.07	%	22.75	%
Other Operators								
	Subtotal		741,295	3,396	44.45	%	53.82	%
Total			1,771,091	6,314	100	%	100	%

(1) “GBA” means Greater Buenos Aires, the Buenos Aires metropolitan area, and “CABA” means the Autonomous City of Buenos Aires.

(2) Percentage over total shopping centers in Argentina. Figures may not sum due to rounding.

(3) The effective interest held by Alto Palermo S.A., the company that operates the concession of this building, is 53.684% in ERSA.

(4) Includes total leaseable area occupied by supermarkets and hypermarkets.

Source: Argentine Chamber of Shopping Centers.

Development and sale of properties

A large number of companies are currently competing with us in the development and sale of properties in Argentina, as this segment is highly fragmented. In addition, there is a substantial supply of comparable properties in the vicinity of our developed properties which may adversely affect our ability to sell our developed properties at prices that generate a positive return on our investment.

Hotels

We own three luxury hotels in Argentina which are managed through strategic alliances by international operators including Sheraton Overseas Management Corporation, Intercontinental Hotels Corporation and the local operator Compañía de Servicios Hoteleros S.A. which manages the Hotel Alvear. The Hotel Llao Llao is unique for its landscape and beauty, and our other two hotels, Hotel Intercontinental and Hotel Sheraton Libertador, are located in the City of Buenos Aires. We compete with many other leading luxury hotels in the City of Buenos Aires including, among others: Abasto Plaza, Alvear Palace, Caesar Park, Claridge, Emperador, Feir's Park, Four Seasons, Hilton, Loi Suites, Marriot Plaza, Meliá, NH City, Panamericano, Sheraton, Sofitel, Madero, MayFlower, Etoile, Faena, and Regal Pacific.

Regulation and Government Supervision

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

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

Leases

Argentine law imposes certain restrictions on property owners, including:

- a prohibition to include price adjustment clauses based on inflation increases in lease agreements; and
- the imposition of a three-year minimum lease term for retail property, except in the case of stands and/or spaces in markets and fairs.

Although our lease agreements were U.S. dollar-denominated, Decree No. 214/2002, Decree No. 762/2002 and Law N° 25,820 that amended the Public Emergency Law, provided that monetary obligations in force as of January 7, 2002 arising from agreements governed by private law and which provided for payments in U.S. dollars were subject to the following rules:

- financial obligations were to be paid in Pesos at the exchange rate of Ps.1.00 = US\$1.00 plus the CER for commercial leases;
- from October 1, 2002 until March 31, 2004 for residential leases, the obligations where the tenant is an individual and the dwelling is used as the family residence of permanent use were to be paid in Pesos at the exchange rate of Ps.1.00 = US\$1.00 plus the CVS;
- if due to the application of these provisions, the amount of the installment became higher or lower than the amount at the moment of the payment, any of the parties could require an equitable adjustment of the price. If the parties did not reach an agreement, the courts could decide on a case by case basis; and
- pursuant to Decree No. 117/2004 and Law No. 25,796 that amends Law No. 25,713, the CVS became unenforceable since April 1, 2004.

Under the Argentine Civil Code and Lease Law No. 23,091, lease terms may not exceed ten years, except for leases regulated by Law No. 25,248 (which provides that real estate leases containing purchase options—leasing inmobiliario—are not subject to term limitations). Generally, terms in our lease agreements go from 3 to 10 years.

Despite this restriction, in November 2007, the Courts authorized Alto Palermo to enter into a lease agreement with Wal-Mart Argentina SRL for a term of 30 years. This exception was authorized taking into consideration the size of the investment required and the time necessary to recoup this investment.

Lease Law No. 23,091, as amended by Law No. 24,808 provides that tenants may rescind commercial lease agreements after the first six months by sending a written notice at least 60 days before the intended termination date of the contract. Such rescission is subject to penalties which range from one to one and a half months of rent. If the tenant rescinds during the first year of the lease the penalty is one and a half month's rent and if the rescission occurs after the first year of lease the penalty is one month's rent.

While current Argentine government policy discourages government regulation of lease agreements, there can be no assurance that additional regulations will not be imposed in the future by the Argentine Congress, including regulations similar to those previously in place. Furthermore, most of our leases provide that the tenants pay all costs and taxes related to the property in proportion to their respective leasable 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 our rental income. The Argentine Civil and Commercial Procedure Code enables the lessor to pursue what is known as an “executory proceeding” upon lessees’ failure to pay rent. In executory proceedings debtors have fewer defenses available to prevent foreclosure, making these proceedings substantially shorter than ordinary ones. In executory proceedings the origin of the debt is not under discussion; the trial focuses on the debt instrument itself. The aforementioned code also permits special eviction proceedings, which are carried out in the same way as ordinary proceedings. The Argentine Civil Code enables judges to summon tenants who fall two months in arrears to vacate the property they are renting within 10 days of having received notice to such effect. However, historically, large court dockets and numerous procedural hurdles have resulted in significant delays to eviction proceedings, which generally last from six months to two years from the date of filing of the suit to the time of actual eviction.

Development and Land Use

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

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

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

Sales and Ownership

Real Estate Installment Sales Law. The Real Estate Installment Sales Law No. 14,005, as amended by Law No. 23,266 and Decree No. 2015/1985, imposes a series of requirements on contracts for the sale of subdivided real estate property regarding, for example, the sale price which is paid in installments and the deed, which is not conveyed until final payment of such price. The provisions of this law require, among other things:

- the registration of the intention to sell the property in subdivided plots in the Real Estate Registry (Registro de la Propiedad Inmueble) corresponding to the jurisdiction of the property. Registration will only be possible with regard to unencumbered property. Mortgaged property may only be registered where creditors agree to divide the debt in accordance with the subdivided plots. However, creditors may be judicially compelled to agree to the division;
- the preliminary registration with the Real Estate Registry of the purchase instrument within 30 days of execution of the agreements.

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

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

Consumer Protection Law. Consumer Protection Law No. 24,240, as amended, regulates several issues concerning the protection of consumers in the arrangement and execution of contracts. The Consumer Protection Law purports to prevent potential abuses deriving from the strong bargaining position of sellers of goods and services in a mass-market economy where standard form contracts are widespread. As a result, the Consumer Protection Law deems void and unenforceable certain contractual provisions in consumer contracts, including those which contain:

- warranty and liability disclaimers;
 - a waiver of consumer rights;
 - an extension of seller rights; and
- the shifting of the burden of proof against consumers.

In addition, the Consumer Protection Law imposes penalties ranging from fines to closing down of establishments in order to induce compliance from sellers.

The Consumer Protection Law defines consumers or users, as the individuals or legal entities that (i) acquire or use goods or services free of charge or for a price for their own final use and benefit or that of their family or social group, including the acquisition of rights on a time-share leasing, country club, or private cemetery, among others, (ii) though not being party to a consumer relationship, as a result thereof acquire or use goods or services for their own final use or that of their family or social group and (iii) are otherwise exposed to a consumer relationship.

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

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

The Consumer Protection Law determines that the information contained in the offer addressed to undetermined prospective consumers, binds the offeror during the period in which the offer takes place and until its public revocation. Further, it determines that specifications included in advertisements, announcements, prospectuses, circulars or other media bind the offeror and are considered part of the contract entered into by the consumer. On June 2005, Resolution No. 104/05, which complements the Consumer Protection Law, adopted MERCOSUR's Resolution on which requires that those who engage in commerce over the Internet (E-Business) to disclose in a precise and clear manner the characteristics of the products and/or services offered and the sale terms. Failure to comply with the terms of the offer is deemed an unjustified denial to sell and gives rise to sanctions.

Buildings Law. Buildings Law No. 19,724, as amended, sets forth a regime for the construction of buildings for subsequent subdivision into condominium (Propiedad Horizontal). Under this law, developers must inform potential purchasers of their intention to sell the building as a condominium, as well as of all sale conditions, and the size of each unit in relation to the whole building. The sale of these units is subject to subdivision approval and in order to be included in Buildings Law regime must be registered with the Real Estate Registry (Registro de la Propiedad Inmueble). This law also states that, in the event that construction is not completed, all amounts already deposited must be repaid to the purchasers. All intervening parties are jointly and severally liable to reimburse all amounts deposited or paid by the purchasers. All agreements entered into with the purchasers shall be filed with the relevant real estate registry.

Mortgage Regulation. The Argentine Civil Code regulates mortgages both as a contract and as a right over property. There are no special provisions in the Civil Code aimed at protecting mortgagors. Any agreement entered into by a mortgagor and a mortgagee at time of execution of the mortgage or prior to the default of the mortgagor allowing the mortgagee to recover the property without a public auction of the property will not be enforced by the courts as it is contrary to Argentine public policy.

Until the enactment of Trust Law No. 24,441, the only procedure available to collect unpaid amounts secured by a mortgage was a proceeding regulated by the Civil and Commercial Procedure Code. The heavy caseload on the courts that hear such matters usually delays the proceeding, which currently takes 1 to 2 years to be completed.

Title V of Trust Law No. 24,441 institutes a new procedure which may expedite collection of unpaid amounts secured by a mortgage. To be applicable, the new rules, which allow an out-of-court auction, need to be expressly agreed to by the parties in the mortgage contract.

Currently, we include in our mortgages a clause enabling the enforcement of Law No. 24,441. However, there can be no assurance that such collection provisions will accelerate the recovery of unpaid amounts under mortgage guarantees.

The Argentine Government has tried to avoid the massive foreclosure of mortgages since the 2001 crisis. The Public Emergency Law, as amended, established the suspension for the term of 270 days from the enactment of that law, of all the judicial or non-judicial enforcement procedures, including the enforcement of mortgages and pledges, regardless of their origin. On February 14, 2002, Law No. 25,563 amending the Bankruptcy Law (the "New Bankruptcy Law") was enacted. Under the New Bankruptcy Law, certain bankruptcies and foreclosures (including foreclosures on mortgage loans) were suspended for a period of 180 days from the law's effective date. Such period was extended for 180 additional days by law N° 25,589 and afterwards for 90 additional days by Law No. 25,640 dated September 2002, expiring on February 2003.

On February 4, 2003, the Executive Branch enacted Decree No. 204/2003 creating a mediation proceeding, for a limited period of 90 days, to be conducted through the Legal Emergency Units (Unidades de Emergencias Legales) depending from the Ministry of Labor, Employment and Social Security and the Ministry of Production. Such Emergency Legal Units shall intervene at the request of debtors or creditors in foreclosure cases.

The mediation procedure was voluntary and free. Proposals and negotiations made by the parties were subject to the confidentiality of ordinary mediations. The mediation procedure in no case shall result in the suspension or interruption of the legal terms running in judicial or out-of-court foreclosure proceedings.

The Legal Emergency Units should try to approximate the parties' proposals to reach an agreement enabling the debtor the performance of his obligations without lessening the creditor's rights. The intervention of the Emergency Legal Units shall conclude with an agreement or with the impossibility of reaching such agreement. The Decree establishes that the conciliation proceeding shall be in force from the day of its publication in the Official Gazette and will have a term of 90 days.

On May 2003, the Argentine Congress enacted Law No. 25,737 which suspended foreclosures for an additional period of 90 days, which ended in May 2003. On September 2003, several financial institutions voluntarily agreed not to foreclose on their mortgage loans. On November 2005, the Argentine congress enacted Law No. 26,062 that extended the foreclosures suspension for an additional 120 days period, which was extended for 90 days more by Law No. 26,084 and for 180 days more by Law No. 26,103. Pursuant to these successive extensions, foreclosure on mortgaged property was suspended until December 2006.

On November 6, 2003 Law No. 25,798 was enacted. It established a mechanism to reschedule debts resulting from unpaid mortgages, by creating a trust (financed by the Argentine Government) which would purchase the mortgage debts and reschedule the maturity date thereof. Financial institutions were afforded until June 22, 2004 to accept said terms. This law was partially modified by Law No. 25,908 (enacted on July 13, 2004) which included various conditions referring to the incorporation into this system of the mortgage loans that were in judicial or private execution proceedings. The parties to secured loan agreements were given a term to express their adhesion to this system. This term was extended twice first by Decree No. 352/2004 for a period of sixty days and then by Law No. 26,062 effective as of November 4, 2005, which extended the foreclosures suspension for an additional 120 days, which was again extended for 90 days more by Law No. 26,084 and for 180 days more by Law No. 26,103.

On November 8, 2006, Law No. 26,167 was enacted. It established a special proceeding to replace ordinary trials for the enforcement of some mortgage loans. These special proceedings give creditors ten days to inform the debtor of the amounts owed to them and agree with the debtor on the amount and terms of payment. In case the parties fail to reach an agreement, payment conditions are to be determined by the judge. Also, this law established the suspension of the execution of judicial judgments, judicial and out-of-court auctions, evictions and other proceedings related to the mortgage loans contemplated in this law.

Most mortgages executed by us provide that we are empowered to declare the anticipated expiration of the loan upon non-payment of an installment. This enables us to recover the unpaid amounts through the sale of the relevant property pursuant to the Civil and Commercial Procedure Code and Law No. 24,441.

Pursuant to Argentine law, fees and expenses related to collection procedures must be borne by the debtor, and the proceeds from any auction of the property may be used for the settlement of such obligation.

Although our mortgages are U.S. dollar-denominated, Decree No. 214/2002 and Decree No. 762/2002 that amend the Public Emergency Law provide that monetary obligations in force as of January 7, 2002, resulting from agreements governed by private law and which provide for payments in U.S. dollars are subject to the following rules:

- financial obligations were to be paid in Pesos at the exchange rate of Ps.1.00 = US\$1.00 plus the CER for commercial leases;
- from October 1, 2002 and until March 31, 2004 for residential leases, the obligations where the tenant is an individual and the dwelling is used as the family residence of permanent use were to be paid in Pesos at the exchange rate of Ps.1.00 = US\$1.00 plus the CVS;
- if due to the application of these provisions, the amount of the installment became higher or lower than the amount at the moment of the payment, any of the parties could require an equitable adjustment of the price. If the parties did not reach an agreement, the courts could decide on a case by case basis; and
- pursuant to Decree No. 117/2004 and Law No. 25,796 that amends Law No. 25,713, the CVS became unenforceable since April 1, 2004.

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

Buildings constructed before the enforcement of the Protection for the Disabled Law must be adapted to provide accesses, transit pathways and adequate facilities for mobility-impaired individuals. Those pre-existing buildings, which due to their architectural design may not be adapted to the use by mobility-impaired individuals, are exempted from the fulfillment of these requirements. The Protection for the Disabled Law provides that residential buildings must ensure access by mobility impaired individuals to elevators and aisles.

Credit Cards Law. Law No. 25,065, amended by Law No. 26,010 and Law No. 26,361, regulates different aspects of the business known as “credit card system.” The regulations impose minimum contractual contents and the approval thereof by the Industry, Commerce and Mining Secretary (Secretaría de Industria, Comercio y Minería de la Nación), as well as the limitations on the interest to be collected from users and the commissions charged to the stores adhering to the system. The Credit Card Law applies to banking and non-banking cards, such as “Tarjeta Shopping” issued by Tarshop.

Antitrust Law. Law No. 25,156, as amended, prevents trust practices and requires administrative authorization for transactions that according to the Antitrust Law constitute an economic concentration. According to this law, mergers, transfers of goodwill, acquisitions of property or rights over shares, capital or other convertible securities, or similar operations by which the acquirer controls or substantially influences a company, are considered as an economic concentration. Whenever an economic concentration involves a company or companies which exceed the accumulated sales volume of Ps. 200.0 million in Argentina; then the respective concentration should be submitted for approval to the Comisión Nacional de Defensa de la Competencia, or Antitrust Authority. The request for approval may be filed, either prior to the transaction or within a week after its completion.

When a request for approval is filed, the 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 the transactions effected during the prior 12-month period exceed in the aggregate Ps. 20.0 million or Ps. 60.0 million during the last 36 months, these transactions must be notified to the Antitrust Authority.

As our and Alto Palermo's consolidated annual sales volume exceeds Ps. 200.0 million, we are required to give notice to the Antitrust Authority of any concentration according to the Antitrust Law.

Environmental Law. 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 control the protection of this right, the rational use of natural resources, the preservation of the natural and cultural heritage and of biodiversity, and shall also provide for environmental information and education. The National Government shall establish minimum standards for environmental protection whereas Provincial and Municipal Governments shall fix specific standards and regulatory provisions.

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

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

In 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.

For more information see "Risk Factors —Risk related to our Business—Our business is subject to extensive regulation and additional regulations may be imposed in the future."

Seasonality

Our Shopping Center business is subject to seasonality, which affects the sales level of our tenants. During the South American summer holiday season (January and February) APSA's tenants experience their lowest sales levels, compared to the winter holidays (July) and the month of December (Christmas) when APSA's tenants tend to reach their peak sales figures. Clothes and footwear tenants usually change their collections in spring and autumn, which has a positive effect on shopping sales. Discount sales at the end of each season also impact our business.

C. Organizational Structure

The following table presents information relating to our ownership interest and the percentage of our consolidated total net revenues represented by our subsidiaries as of June 30, 2013:

Subsidiary	Activity	Country of incorporation	Ownership percentage (1)	Voting power percentage	Percentage of our total net revenues
Alto Palermo S.A. (APSA)	Real estate	Argentina	95.68 %	95.68 %	74.86 %
E-Commerce Latina S.A.	Investment	Argentina	100 %	100 %	0 %
Efanur S.A.	Investment	Uruguay	100 %	100 %	0 %
Hoteles Argentinos S.A.	Hotel	Argentina	80 %	80 %	2.38 %
Llao Llao Resorts S.A.	Hotel	Argentina	50 %	50 %	3.96 %
Nuevas Fronteras S.A.	Hotel	Argentina	76.34 %	76.34 %	3.98 %
Inversora Bolívar S.A.	Investment	Argentina	100 %	100 %	0 %
Palermo Invest S.A.	Investment	Argentina	100 %	100 %	0 %
Ritelco S.A.	Investment	Uruguay	100 %	100 %	0 %
Solares de Santa Maria S.A.	Real estate	Argentina	100 %	100 %	0.17 %
Tyrus S.A.	Investment	Uruguay	100 %	100 %	1.87 %
Unicity S.A.	Investment	Argentina	100 %	100 %	0.0 %
(1)		Includes direct and indirect ownership			

We have a significant interest in Banco Hipotecario, an Argentine company organized under Argentine Law engaged in banking activity. As of June 30, 2013, we owned directly and indirectly 29.77% (without considering treasury shares) of Banco Hipotecario. Also, as of June 30, 2013, the voting power held by us directly and indirectly in Banco Hipotecario was 46.46%.

D. Property, Plant and Equipment

Property

As of June 30, 2013, most of our property (consisting of rental properties in the office and retail real estate sectors, development properties primarily in the residential real estate sector and shopping centers) was located in Argentina. We lease our headquarters, located at Bolívar 108, (C1066AAB) Ciudad Autónoma de Buenos Aires, We do not currently lease any material properties other than our headquarters.

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The following table sets forth certain information about our properties as of June 30, 2013:

Property (6)	Date of Acquisition	Leasable/Sale sqm (1)	Location	Net Book Value Ps.(2)	Encumbrance Ps./000	Outstanding principal amount Ps./000	Maturity Date	Balance due at maturity Ps./000	Rate	Use	Occupancy rate (7)
Intercontinental Plaza	11/18/1997	22,535	City of Buenos Aires	70,314	-	-	-	-	-	Office Rental	100.0 %
Bouchard 710	06/01/2005	15,014	City of Buenos Aires	62,657	-	-	-	-	-	Office Rental	100.0 %
Bouchard 551	03/15/2007	12,081	City of Buenos Aires	90,383	-	-	-	-	-	Office Rental	100.0 %
Libertador 498	12/20/1995	620	City of Buenos Aires	3,584	-	-	-	-	-	Office Rental	100.0 %
Maipú 1300	09/28/1995	9,399	City of Buenos Aires	32,221	-	-	-	-	-	Office Rental	97.3 %
Madero 1020	12/21/1995	101	City of Buenos Aires	155	-	-	-	-	-	Office Rental	100.0 %
Suipacha 652	11/22/1991	11,453	City of Buenos Aires	9,207	-	-	-	-	-	Office Rental	89.9 %
Costeros Dique IV	08/29/2001	620	City of Buenos Aires	1,278	-	-	-	-	-	Office Rental	100.0 %
Edificio República	04/28/2008	19,884	City of Buenos Aires	206,691	-	-	-	-	-	Office Rental	95.2 %
Dique IV, Juana Manso 295	12/02/1997	11,298	City of Buenos Aires	57,189	-	-	-	-	-	Office Rental	94.4 %
Avda. de Mayo 595	08/19/1992	1,958	City of Buenos Aires	3,511	-	-	-	-	-	Office Rental	100.0 %
Rivadavia 2768	09/19/1991	274	City of Buenos Aires	139	-	-	-	-	-	Office Rental	0.0 %
Constitución 1111	06/16/1994	274	City of Buenos Aires	769	-	-	-	-	-	Commercial Rental	0.0 %
Torre Bank Boston	08/27/2007	14,873	City of Buenos Aires	146,399	-	-	-	-	-	Office Rental	96.4 %

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Santa María del Plata	07/10/1997	60,100	City of Buenos Aires	12,495	-	-	-	-	-	Other Rentals	100.0 %
Constitución 1159	01/16/1994	2,072	City of Buenos Aires	8,762	-	-	-	-	-	Other Rentals	100.0 %
Plot of Land Catalinas Norte	2/17/2009	N/A	City of Buenos Aires	109,171	-	-	-	-	-	Other Rentals	N/A
Dot Building (3)	1/28/2006	11,242	City of Buenos Aires	102,031	-	-	-	-	-	Office Rental	100.0 %
Other Properties (5)	N/A	N/A	City of Buenos Aires	33,952	-	-	-	-	-	Other Rentals	N/A
Madison 183	11/27/2012	23,200	New York	744,587	Mortgage	404.1	Dec-19	371.7	Libor+2.50%	Office Rental	98.5 %
Alto Palermo Shopping (3)	11/23/1997	18,690	City of Buenos Aires	237,502	-	-	-	-	-	Shopping Center	98.4 %
Abasto Shopping (3)	07/17/1994	37,708	City of Buenos Aires	300,598	-	-	-	-	-	Shopping Center	99.8 %
Alto Avellaneda (3)	11/23/1997	36,943	Province of Buenos Aires	143,614	-	-	-	-	-	Shopping Center	99.9 %
Paseo Alcorta (3)	06/06/1997	14,141	City of Buenos Aires	107,920	-	-	-	-	-	Shopping Center	99.8 %
Patio Bullrich (3)	10/01/1998	11,683	City of Buenos Aires	123,087	-	-	-	-	-	Shopping Center	99.7 %
Alto Noa (3)	03/29/1995	19,141	City of Salta	34,601	-	-	-	-	-	Shopping Center	99.7 %
Buenos Aires Design (3)	11/18/1997	13,746	City of Buenos Aires	17,536	-	-	-	-	-	Shopping Center	99.0 %
Alto Rosario Shopping (3)	11/09/2004	27,691	City of Rosario	127,344	-	-	-	-	-	Shopping Center	97.1 %
Mendoza Plaza Shopping (3)	12/02/1994	42,238	City of Mendoza	114,422	-	-	-	-	-	Shopping Center	97.7 %
Córdoba Shopping – Villa Cabrera (3)	12/31/2006	15,106	City of Cordoba	71,374	Mortgage Antichresis	5.5	Jan-26	Libor+1.50%	CE	Shopping Center	100.0 %
Dot Baires Shopping (3)	05/01/2009	49,719	City of Buenos Aires	464,881	-	-	-	-	-	Shopping Center	99.4 %
Soleil Factory (3)	07/01/2010	13,609	Province of Buenos Aires	91,379	Mortgage	71.3	Jul-17	71.3	5.00%	Annual Rate Shopping Center	100.0 %
Neuquén Project (3) (9)	07/06/1999	N/A	Province of	48,874	-	-	-	-	-	Shopping Center (in	N/A

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(11)			Neuquen						construction)	
Arcos Project			City of Buenos Aires	136,311	-	-	-	-	Shopping Center (in construction)	N/A
(3) (10) (11)	12/01/2011	N/A								
Beruti (3)	06/24/2008	3,207	City of Buenos Aires	9,264	-	-	-	-	Land Reserve	N/A
Santa María del Plata	07/10/1997	715,951	Province of Buenos Aires	158,951	-	-	-	-	Land Reserve	N/A
Patio Olmos (3)	09/25/2007	5,147	City of Cordoba	31,333	-	-	-	-	Land Reserve	N/A
Caballito plot of land	11/03/1997	7,451	City of Buenos Aires	45,814	-	-	-	-	Land Reserve	N/A
Others Reserves of Land(4)	N/A	13,548,200	City and Province of Bs. As.	11,799	-	-	-	-	Land Reserve	N/A
Lujan (3)	05/31/08	1,176,000	Province of Bs. As.	41,861	-	-	-	-	Land Reserve	N/A
Hotel Llao Llaol	06/01/1997	24,000	Ciudad de Bariloche	64,945	-	-	-	-	Hotel	54.0 %
Hotel Intercontinental	11/01/1997	37,600	City of Buenos Aires	48,048	-	-	-	-	Hotel	68.0 %
Hotel Libertador	03/01/1998	17,463	City of Buenos Aires	33,307	Escrow (8)	19.0	Jul-13	19.0	Annual Rate 17.29%	Hotel 74.0 %
Bariloche Plot of Land	01/12/2006	N/A	Province of Rio Negro	21,900	-	-	-	-	Hotel	N/A

- (1) Total leasable area for each property. Excludes common areas and parking spaces.
- (2) Cost of acquisition or development plus improvements, less accumulated depreciation, less allowances.
- (3) Through Alto Palermo.
- (4) Includes the following land reserves: Pontevedra plot; Isla Sirgadero; Mariano Acosta, Intercontinental Plaza II, San Luis and Merlo (through IRSA) and Zelaya 3102 and Conil (through Alto Palermo).
- (5) Includes the following properties: Anchorena 559 and Parking spaces Ocampo (through Alto Palermo).
- (6) All assets are owned by us or through any our subsidiary.
- (7) Percentage of occupation of each property. The land reserves are assets that the company remains in the portfolio for future development.
- (8) As collateral for the new debt Hoteles Argentinos S.A. (HASA) contracted with ICBC, we entered into a put option.
- (9) APSA signed an agreement with the Municipality of Neuquén in which APSA committed to construct the whole shopping center in a maximum term of 24 months, these will be counted starting from the date of signature of the act of beginning of works. On June 30, 2013 and 2012 and on July 1^o, 2011 the amount of the developments in Shopping Neuquén rise to Ps. 36.1, Ps. 9.1 and Ps. 4.5 million, respectively. On June 30, 2013 the contractual obligations corresponds mainly to constructions related with the project above and they rise to Ps. 205 million. The project is estimated to be concluded on September, 2014.
- (10) APSA maintains engagements with the City of Buenos Aires' Government in order to develop the Arcos del Gourmet project. The amount of the construction as of June 30, 2013 and 2012 rise to Ps. 136.3 million and 17.8

million, respectively. On June 30, 2013 the contractual obligations corresponds mainly to constructions related with the project above and rise to Ps 227.3 million. The project is estimated to be concluded by the end of 2013.

(11) Both projects are financed through syndicated loans subscribed with different bank institutions, for further information see Item 5.b Indebtedness.

Insurance

We carry insurance policies with insurance companies that we consider to be financially sound. We purchase multiple peril insurance for the shopping centers covering fire and negligence liability, electrical or water damages, theft and business interruption. We have submitted a limited number of claim reports under the shopping center insurance, including a claim for a reported loss caused by fire in Alto Avellaneda Shopping on March 5, 2006, as of this date, we have been able to recover substantially all such claims from the insurance companies.

In our Development and Sales of Properties segment, we only maintain insurance when we retain ownership of the land under development or when we develop the property ourselves. Our liability and fire insurance policies cover potential risks such as property damage, business interruption, fire, falls, collapse, lightning and gas explosion. Such insurance policies contain specifications, limits and deductibles which we believe are customary. We maintain insurance policies for our properties after the end of construction only if we retain ownership, primarily in the Offices and Other Properties segments.

We carry insurance for directors and officers covering management's civil liability, as well as legally mandated insurance, including employee personal injury. We do not provide life or disability insurance for our employees as benefits. We believe our insurance policies are adequate to protect us against the risks for which we are covered. Nevertheless, no assurances can be given that the insurance amount purchased by us will be enough to protect ourselves from significant losses. See "Risk Factors—Risks Related to our Business." Some potential losses are not covered by insurance, and certain kinds of insurance coverage may become prohibitively expensive.

Item 4A. Unresolved Staff Comments.

In a letter dated April 19, 2013 (the "Comment Letter"), the staff of the Securities and Exchange Commission ("SEC") provided certain comments to our annual report on Form 20-F for the fiscal year ended June 30, 2012 as filed on October 26, 2012 and Form 6-K/A as filed on December 19, 2012. We have resolved all of the comments set forth in the Comment Letter except for a comment relating to certain barter agreements entered into by the Company. Thus, in a subsequent letter dated August 29, 2013, the SEC questioned whether the significant risks and rewards of ownership were transferred to the buyer based on the terms of each barter agreement, and whether managerial continuing involvement or effective control over the property subject to the barter transactions were being retained by the Company. In a letter dated October 18, 2013, we provided the required information, concluding that the significant risks and rewards of ownership were effectively transferred to the buyer and that no managerial continuing involvement to the extent normally associated with ownership were being retained by the Company. We believe that, as a result, we have resolved any staff comments regarding our annual reports.

Item 5. Operating and Financial Review and Prospects.

A. Operating Results

Evolution of our Business Segments

Shopping Centers

The profitability of our shopping center business is highly sensitive to consumer spending, overall GDP growth in Argentina and availability of financing. The contraction in consumer spending and the greater reliance on informal and low quality products that characterized the Argentine economy during the crisis has been significantly lessened along with an increase in GDP growth. This economic reactivation has increased the revenues of Alto Palermo, our subsidiary engaged in shopping center ownership and operation. During the fiscal years ended June 30, 2012 and

2013, our shopping centers revenues were Ps. 1,321.6 million and Ps.1,622.3 million, respectively.

Development and Sale of Properties

Demand for new residential units is influenced by a number of factors, including employment rates, short-term and long-term interest rates, availability of government-sponsored and private mortgage financing programs and products, consumer confidence, governmental policies, demographic factors and, to a lesser extent, changes in property taxes, energy costs and federal income tax rates. In addition, the feasibility of developing and marketing new residential units depends on a number of factors such as the inventory of existing units, zoning restrictions, government policies, cost and availability of land, construction and sales costs and the availability of financing on reasonable terms, among other factors. At the time of the Argentine crisis in 2001 and 2002, residential sales came to a virtual standstill and real estate prices fell sharply. During the last five years, the market has begun to recover gradually. This continuing market stabilization accounts for much of the revenue increase in our Development and Sales of Properties segment. During the fiscal years ended June 30, 2012 and 2013, our Development and Sale of Properties segment had revenues of Ps. 162.8 million and Ps. 142.0 million, respectively.

Office and Other Non-Shopping Center Rental Properties

The profitability of Office and Other Non-Shopping Center Rental Properties segment is similarly affected by the macroeconomic factors described above. Favorable market conditions are also closely related to levels of vacancy and to the price at which we can lease our premises which in turn affect our revenues in this segment. During the 2001 Argentine economic crisis and its aftermath, few development projects were built in Argentina. However, demand for office space and rental properties has increased substantially during the last five years, significantly raising prices. During the fiscal years ended June 30, 2012 and 2013, our Office and Other Non-Shopping Center Rental Properties segment had revenues of Ps. 254.0 million and Ps. 291.1 million, respectively.

Hotels

The revenues from our hotel business are also highly sensitive to market conditions. For example, the devaluation of the Peso following the repeal of the Convertibility Law made Argentina less expensive, and therefore a more attractive, tourist destination, significantly increasing the influx of foreign tourists. The appreciation of foreign currency also rendered domestic travel destinations more appealing to the Argentines, many of whom replaced foreign travel with local travel. During the fiscal years ended June 30, 2012 and 2013, our Hotels segment had revenues of Ps. 170.0 million and Ps. 225.8 million, respectively.

International

The International segment recorded revenues of Ps. 40.9 million during fiscal year 2013 due to the consolidation, effective October 1, 2012, of the results from Rigby 183 LLC, the company that is owner of the rental office building located at 183 Madison Avenue, New York, USA. As of the closing of fiscal year 2013, the occupancy rate of this building was 98.5%. This segment had recorded no revenues during fiscal year 2012.

Financial Operations and Others

As of June 30, 2013 we owned approximately 29.77% of Banco Hipotecario's capital stock, Argentina's leading mortgage lender and provider of mortgage-related insurance and mortgage loan services. Banco Hipotecario restructured its financial debt in 2004 and has recorded attractive results from its operations since then. For the fiscal years ended June 30, 2012 and 2013, our investment in Banco Hipotecario generated a gain of Ps. 82.3 million and Ps. 59.9 million, respectively.

Variability of Results

Income derived from the lease of office space and retail stores and sales of properties are the two core sources of our income. The historical results of our operations have varied over different periods based on the prevailing opportunities in connection with the sale of properties. No assurance can be given that our results will not continue to be influenced by the periodical sale of properties.

Critical Accounting Policies and Estimates

Our consolidated financial statements are prepared in accordance with IFRS standards as issued by the IASB, and the accounting policies employed are set out in our Group's Accounting Policies section in the financial statements. In applying these policies, we make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities. The actual outcome could differ from those estimates. Some of these policies require a high level of judgment because the areas are especially subjective or complex.

The discussion below should also be read in conjunction with the Group's disclosure of significant IFRS accounting policies, which is provided in Note 2 to the audited consolidated financial statements, "Significant accounting policies".

We believe that the most critical accounting policies and significant areas of judgment and estimation are in:

- Business combinations
 - Impairment testing of goodwill and intangible assets
 - Determination of the fair value of financial instruments
 - Trading property
 - Allowances
 - Taxation

Business combinations – purchase price allocation

We account for the acquisition of subsidiaries using the acquisition method. Accounting for business combinations requires us the determination of the fair value of the various assets and liabilities of the acquired business. We use all available information to make these fair value determinations, and for major acquisitions, may hire an independent appraisal firm to assist us in making these fair value estimates. In some instances, assumptions with respect to the timing and amount of future revenues and expenses associated with an asset might have to be used in determining its fair value. Actual timing and amount of net cash flows from revenues and expenses related to that asset over time may differ materially from those initial estimates, and if the timing is delayed significantly or if the net cash flows decline significantly, the asset could become impaired.

The amount of goodwill initially recognized as a result of a business combination is dependent on the allocation of the purchase price to the fair value of the identifiable assets acquired and the liabilities assumed.

Allocation of the purchase price affects our results as any identified finite lived intangible assets are amortized, whereas indefinite lived intangible assets, including goodwill, are not amortized and could result in differing amortization charges based on the allocation to indefinite lived and finite lived intangible assets.

Upon our transition to IFRS we elected not to apply IFRS 3, "Business combinations", retrospectively as the difficulty in applying these requirements to the large number of business combinations we completed from incorporation through to transition date exceeded any potential benefits. Therefore, business combinations occurred prior to transition date have not been restated.

Impairment testing of goodwill and non-current assets other than goodwill

IFRS requires us to undertake an annual test for impairment of indefinite lived assets and, for finite lived assets, to test for impairment if events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable.

Impairment testing is an area involving management judgment, requiring assessment as to whether the carrying value of assets can be supported by the net present value of future cash flows derived from such assets using cash flow projections which have been discounted at an appropriate rate. In calculating the net present value of the future cash flows, we are required to make certain assumptions in respect of highly uncertain matters including management's expectations of estimates of future cash flows, market rents for similar properties in the same location and condition, and discount rates.

For purposes of the impairment testing, we group assets at the lowest levels for which there are separately identifiable cash flows, known as cash generating units or CGUs. Given the nature of our assets and activities, most of our individual assets do not generate independent cash flows that are independent of those from CGUs. Therefore, we estimate the recoverable amount of the CGU to which the asset belongs, except where the fair value less costs to sell of the individual asset is higher than its book value; or the value in use of the asset can be estimated as being close to its fair value less costs to sell, where fair value can be reliably determined.

Generally, we consider each shopping center, office building and undeveloped property as a separate CGU. Details of the methods, estimates and assumptions we make in our annual impairment testing of goodwill are included in Note 6 in our audited consolidated financial statements. No impairment of goodwill was identified.

Fair value of derivatives and other financial instruments

The fair values of financial instruments that are not traded in an active market are determined by using valuation techniques. We use our judgment to select a variety of methods and make assumptions that are based on market conditions existing at statement of financial position. When no quoted prices in an active market are available, fair values (particularly with derivatives) are based on recognized valuation methods. The Group uses a range of valuation models for the measurement of Level 3 instruments, details of which may be obtained from the following table:

Description	Pricing model	Pricing method	Parameters
Shares of Supertel	Binomial tree	Theoretical price	Underlying asset price (Market price); share price volatility (historical) and money market interest-rate curve (libor rate).
Warrants of Supertel	Black-Scholes	Theoretical price	Underlying asset price (Market price); share price volatility (historical) and money market interest-rate curve (libor rate).

Allowance for trade receivables

We maintain an allowance for trade receivables to account for estimated losses resulting from the inability of customers to make required payments. When evaluating the adequacy of an allowance for trade receivables, we base our estimates on the aging of accounts receivable balances and historical write-off experience, customer credit worthiness and changes in customer payment terms. If the financial condition of customers were to deteriorate, actual write-offs might be higher than expected.

Trading properties

Trading properties include land and work in progress in respect of development sites with a view to sale. Trading properties are carried at the lower of cost or net realizable value. On each development, judgment is required to assess whether the cost of land and any associated construction work in progress is in excess of its net realizable value. Net realizable value is the estimated selling price in the ordinary course of business less estimated costs to completion and estimated selling costs.

The estimation of the net realizable value of our trading properties under development is inherently subjective due to a number of factors, including their complexity, unusually large size, the substantial expenditure required and long timescales to completion. In addition, as a result of these timescales to completion, the plans associated with these developments could be subject to significant variation. As a result, the net realizable values of our trading properties are subject to a degree of uncertainty and are made on the basis of assumptions, which may not prove to be accurate.

If actual results differ from the assumptions upon which the external valuer has based its valuation, this may have an impact on the net realizable value of our trading properties, which would in turn have an effect on our financial condition.

Taxation

We are subject to income taxes in numerous jurisdictions. Our tax charge on ordinary activities is the sum of the total current and deferred tax charges. The calculation of the Group's total tax charge necessarily involves a degree of estimation and judgment in respect of certain items whose tax treatment may not be always determined with certainty due to interpretation. The final resolution of some of these items may give rise to material profits, losses and/or cash flows. The complexity of the Group's structure makes the degree of estimation and judgment more challenging. The resolution of issues may not always be within our control and may depend on the efficiency of legal action, if necessary. Issues can, and often do, take many years to resolve. Payments in respect of tax liabilities for an accounting period result from payments on account and on the final resolution of open items. As a result there can be substantial differences between the tax charge in the consolidated income statement and tax payments.

We recognize deferred tax assets only to the extent it is probable that future taxable profit will be available against which the temporary differences can be utilized. We assess the realizability of deferred tax assets by considering whether it is probable that some portion or all of the deferred tax assets will not be realized. We consider the scheduled reversal of deferred tax liabilities, projected future taxable income and tax planning strategies in making this assessment.

The amounts recognized in our audited consolidated financial statements in respect of each matter are derived from our best estimate and judgment as described in Note 6 to our audited consolidated financial statements.

Overview

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 finance 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.

Argentine Macroeconomic Environment

As a result of the four-year recession that came to a close in the second quarter of 2002, the Argentine economy was dramatically weakened. The current account deficit and the budget deficit, together with the rigidity of its foreign exchange rate system (known as the convertibility regime), the country's excessive reliance on foreign capital and its mounting external debt resulted in a deep contraction of the economy and in a banking and fiscal crisis when capital started to leave the country. Between December 2001 and January 2002, Argentina abolished the fixed parity between the Peso and the U.S. dollar, rescheduled bank deposits, converted dollar denominated debts into pesos, and suspended payment on a significant portion of its public debt. In April 2002, the economy started its path to stabilization and realized a clear improvement during the second half of the year, mainly as a result of expanding exports and decreasing imports.

In May 2003, Argentina's political environment was reorganized when Néstor Kirchner took office as president. Argentina moved towards normalizing its relationship with the IMF, withdrew all the national and provincial governments' quasi-money securities from circulation and eliminated all deposit restrictions. The trade balance experienced a sustained surplus, aided by the rise in commodity prices and export volumes. Social indicators also improved. During 2004 and 2005, the Argentine economy continued to grow. In June 2005, the Argentine government completed a restructuring of a substantial portion of the federal government's public debt, which had been in default since December 2001. Argentina reduced the outstanding principal amount of its public debt from US\$ 191.3 billion to US\$ 126.6 billion and negotiated lower interest rates and extended payment terms.

In 2008, the global economy deteriorated significantly as a consequence of the subprime mortgage crisis. Thus, Argentina was faced with a global economic downturn and a drop in the level of activity that delayed the pace of growth. In 2008, inflation measured by the Wholesale Price Index ("IPIM") was 12.85%, the Peso depreciated against the U.S. dollar by 8.97% and GDP increased by 4.05%.

The years 2009 and 2010 saw signs of an economic recovery on a global level, including increases in the level of activity in certain advanced economies, a reduction in unemployment and improvements in housing prices in the United States. Many currencies during this period appreciated against the U.S. dollar, particularly those of Argentina's commercial partners, and the flow of capital to developing countries increased, improving Argentina's ability to pay the balance of its debt. In addition, local consumption grew during this period, driven by an increase in consumer financing.

In 2009 and 2010, inflation measured by IPIM was 7.06% and 14.57%, respectively, and, the Peso depreciated against the U.S. dollar by 9.5% and 4.5%, respectively. In 2009 and 2010, GDP increased by 2.61% and 9.2%, respectively.

For the fiscal years 2011, 2012 and 2013, the EMAE, which predicts the GDP was 9.7%, 0.89% and 5.7%, respectively. With respect to inflation, INDEC's measurements indicate that accumulated inflation for the fiscal year 2011 was approximately 9.67%, for fiscal year 2012 was approximately 9.90% and for the fiscal year 2013 was approximately 10.5%.

The table below shows Argentina's GDP growth, inflation, dollar exchange rates and the appreciation (depreciation) of the Peso against the U.S. dollar for the indicated periods.

	Fiscal year ended June 30,					
	2011		2012		2013	
Real GDP growth	9.14	%	0.00	%	8.26	%
Inflation (IPIM)(1)	12.5	%	12.8	%	13.5	%
Inflation (CPI)(2)	9.67	%	9.90	%	10.5	%
Appreciation (depreciation) of the Peso against the U.S. dollar	(4.33	%)	(10.2	%)	(19.1	%)
Exchange rate per US\$ 1.00 as of the end of the year	Ps.4.0900		Ps.4,5070		Ps.5.3680	
Average exchange rate per US\$1.00(3)	Ps.3.9805		Ps.4.3016		Ps.4.9187	

- (1) IPIM is the wholesale price index as measured by the Argentine Ministry of Economy and Production.
- (2) CPI is the consumer price index as measured by the Argentine Ministry of Economy and Production.
- (3) Represents average of the selling and buying exchange rate.
- (4) Represents average month-end closing exchange rates.

Sources: INDEC, Argentine Ministry of Economy and Production, Banco de la Nación Argentina.

Although Argentina's economy has recovered significantly from the crisis of 2002, the effects of the global economic slow-down on Argentina cannot be predicted. We cannot assure you that the favorable economic conditions that Argentina has experienced in recent years will continue. See Item 3 (d) "Risk Factors—Risks Related to Argentina."

Factors that Affect our Results

Effects of the Argentine macroeconomic environment

Most of our assets are located in Argentina, where we conduct our operations. Therefore, our financial condition and the results of our operations are significantly dependent upon the economic conditions prevailing in Argentina.

Changes in short- and long-term interest rates, unemployment and inflation may reduce the availability of consumer credit and the purchasing power of individuals who frequent shopping centers, as well as reducing economic activity and increase vacancy in our buildings and hotels.

Over the past three fiscal years, there has been a considerable improvement in private consumption and in the grant of loans to consumers, mainly due to a environment of relative stability, which has led to increased revenues in our three business segments.

Effects of inflation

From 1997 until the end of year 2001, the Argentine government's policies substantially reduced the level of inflation. Therefore, during that period, inflation did not significantly affect our financial condition and results of operations. The following are annual inflation rates since 2002, published by the Argentine Ministry of Economy and Production:

Year ended June 30,	Consumer Price Index	Wholesale Price Index
2002	28.4%	88.2%
2003	10.2%	8.1%
2004	4.9%	8.6%
2005	9.0%	7.7%
2006	11.0%	12.1%
2007	8.8%	9.4%
2008	9.3%	13.8%
2009	5.3%	5.4%
2010	11.0%	15.2%
2011	9.7%	12.5%
2012	9.9%	12.8%
2013	10.5%	13.4%

An increase in inflationary risk may erode our present macroeconomic stability, causing a negative impact on our operations. The IPIM increased by 13.4% in the Fiscal Year 2013, and the Consumer Price Index increased 10.5% in the same period.

Additionally, the minimum lease amounts paid by tenants in our shopping centers are generally adjusted in accordance with the coeficiente de estabilización de referencia (stabilization index, or "CER"), an inflation index published by the Central Bank. Although higher inflation rates in Argentina may increase the minimum lease amount, given that tenants tend to pass on any increases in their own expenses to consumers, higher inflation may lead to increased sale prices charged by tenants for their products, which will ultimately reduce their sales volumes and consequently the portion of rent we receive based on their total sales.

Effects of interest rate fluctuations

Most of our U.S. Dollar denominated debt accrues interest at a fixed rate. An increase in interest rates will not necessarily result in a significant increase in our financial costs and may not materially affect our financial condition or our results of operations.

Effects of foreign currency fluctuations

A significant portion of our financial debt is denominated in U.S. dollars. Therefore, a devaluation of the Argentine Peso against the U.S. dollar would increase our indebtedness measured in Pesos and materially affect our results of operations. Foreign currency exchange rate fluctuations significantly increase the risk of default on our mortgages and lease receivables. Since many of our customers have their cash flows in Pesos, a fluctuation in the exchange rate may increase their U.S. Dollar-denominated liabilities. Foreign currency exchange restrictions that may be imposed by the Argentine Government could prevent or restrict our access to U.S. Dollars, affecting our ability to service our U.S. Dollar denominated liabilities.

Factors Affecting Comparability of our Results

Our results of operations for the year ended June 30, 2013 were affected by the consolidation of the results of operations of Rigby 183 LLC, which was acquired in November 27, 2012, when we obtained control of this company. Prior to this additional acquisition, our investment in Rigby 183 LLC was accounted for under the equity method of accounting. Thus, our results of operations for the year ended June 30, 2012 are not fully comparable to the results of operations for the year ended June 30, 2013.

Business Segment Reporting

We are required to disclose segment information in accordance with IFRS 8, which establishes that an entity to report financial and descriptive information about its reportable segments, which are operating segments or aggregations of operating segments that meet specified criteria. Operating segments are components of an entity about which separate financial information is available that is evaluated regularly by the chief operating decision maker (“CODM”). Such function is carried out by the Group’s Executive Committee in deciding how to allocate resources and in assessing performance, without prejudice of the powers and responsibilities of the management body, that is to say, the Board of Directors. Our current members of the Executive Committee are Mrs. Eduardo S. Elsztain, Saúl Zang, Alejandro G. Elsztain, and Fernando Elsztain. CODM evaluates the business based on the differences in the nature of its products, operations and risks. The amount reported for each segment item is the measure reported to the CODM for these purposes. In turn, the Board of Directors’ management is assessed by the Shareholders’ Meeting, which is the governance body.

We operate our Investment and Development Properties business through six reportable segments, namely “Shopping Centers”, “Office and Other Rentals”, “Development and Sale of Properties”, “Hotels”, “International” and “Financial Operations and Others” as further described below:

• Our Shopping Centers segment includes the operating results from our portfolio of shopping centers principally comprised of lease and service revenue from tenants.

• 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 “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 “Hotels” segment includes the operating results of our hotels mainly comprised of room, catering and restaurant revenues.

Our “International” segment includes mainly the consolidated results of operations of our office building property located at Madison Avenue 183 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 which owns the Lipstick Building at Manhattan also in New York.

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. BHSA is a commercial bank offering a wide variety of banking activities and related financial services to individuals, small and medium-sized companies and large corporations, including the provision of mortgaged loans. BHSA’s shares are listed on the Buenos Aires Stock Exchange. Both Tarshop’s and Apsamedia’s operations consist primarily of lending and servicing activities related to the credit card and personal loan products offered to consumers at retail venues.

For summarized analysis of the lines of business for the year ended June 30, 2013 and 2012. Please see the section Revenues by Business Segment for details.

Our shopping center properties are all located in Argentina. Substantially all of our office and other rental properties are located in Argentina, except for two office building properties located in the United States of America which are owned by our associates. Our hotel properties are also located in Argentina. Our development properties are also located in Argentina. The operating results of the Cyrsa, Nuevo Puerto Santa Fe, Canteras Natal Crespo, Baicom Networks and Quality Invest joint venture operations have been presented on a proportionate format.

The proportionate format presents the net income from the equity-accounted joint venture on a line-by-line basis rather than as a single line item as IFRS requires to be shown in the consolidated statement of income. Management considers that given that the assets underlying both the consolidated and equity-accounted operations are similar and the drivers of their results are similar, that the proportionate consolidation format is a more useful way to understand the performance of the trading property business. This is because the proportionate format aggregates both revenue and expense items rather than netting them for equity accounted ventures and only reflecting their performance as a single line item of profit or loss. As a result, the proportionate format is what the CODM considers in assessing and understanding the performance and results of operations of the development property business as a whole.

The CODM evaluates performance of business segments based on segment profit. The measurement principles for our segment reporting structure are based on the IFRS principles adopted in the consolidated financial statements, except for our share of profit or loss of joint ventures as discussed in the segment tables above. Revenue generated and goods and services exchanged between segments are calculated on the basis of market prices. Intercompany transactions between segments, if any, are eliminated.

The following tables present a reconciliation between the total results of operations as shown in the section Revenues by Business Segment and the results of operations as per the statement of income for the fiscal years ended June 30, 2013 and 2012. The adjustments relate to the presentation of the results of operations of the joint ventures on an equity-accounted basis for IFRS income statement purposes.

	As per Total Segment Information	June 30, 2013 Adjustment for share of profit/ (loss) of joint ventures	As per Statement of Income
Group revenue	2,323,409	(136,229)	2,187,180
Group costs	(1,193,493)	105,882	(1,087,611)
Gross Profit / (Loss)	1,129,916	(30,347)	1,099,569
Gain from disposal of investment properties	183,767	-	183,767
General and administrative expenses	(196,998)	2,157	(194,841)
Selling expenses	(117,118)	10,993	(106,125)
Other operating income, net	91,117	1,497	93,268
Profit / (Loss) from Operations	1,091,338	(15,700)	1,075,638
Share of profit / (loss) of associates and joint ventures	(20,080)	12,689	(7,391)
Profit / (Loss) Before Financing and Taxation	1,071,258	(3,011)	1,068,247

	As per Total Segment Information	June 30, 2012 Adjustment for share of profit/ (loss) of joint ventures	As per Statement of Income
Group revenue	1,913,159	(122,843)	1,790,316
Group costs	(956,939)	98,281	(858,658)
Gross Profit / (Loss)	956,220	(24,562)	931,658

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Gain from disposal of investment properties	116,689	-	116,689
General and administrative expenses	(176,742)	2,395	(174,347)
Selling expenses	(95,991)	11,218	(84,773)
Other operating income, net	(36,995)	4,549	(32,446)
Profit / (Loss) from Operations	763,181	(6,400)	756,781
Share of profit / (loss) of associates and joint ventures	14,766	(3,106)	11,660
Profit / (Loss) Before Financing and Taxation	777,947	(9,506)	768,441

The reconciliation between total assets included in segment information and the assets as per the statements of financial position is as follows:

	06.30.2013	06.30.2012
Total reportable assets as per Segment Information	5,814,519	5,264,916
Investment properties, net	(161,664)	(215,838)
Property, plant and equipment, net	(112)	-
Trading properties	(19,396)	(125,433)
Goodwill	(5,235)	(5,235)
Inventories	(106)	-
Investment in associates and joint ventures	264,461	228,970
Total assets as per the Statement of Financial Position	5,892,467	5,147,380

Business Segment Reporting

Below is an analysis of the segments of the Group for the fiscal years ended June 30, 2013 and 2012:

	June 30, 2013						Total Urban
	Shopping Center Properties	Offices and others	Sales and developments	Hotels	International	Financial operations and others	Properties and Investment
Revenues (i)	1,622,346	291,123	141,996	225,836	40,905	1,203	2,323,409
Costs	(765,849)	(118,561)	(106,399)	(168,283)	(33,494)	(907)	(1,193,493)
Gross Profit	856,497	172,562	35,597	57,553	7,411	296	1,129,916
Gain from disposal of investment properties	-	-	183,767	-	-	-	183,767
General and administrative expenses	(66,476)	(34,876)	(32,901)	(49,337)	(13,158)	(250)	(196,998)
Selling expenses	(58,908)	(11,360)	(16,455)	(28,807)	-	(1,588)	(117,118)
Other operating results, net	(45,020)	(901)	6,342	(369)	135,082	(3,363)	91,771
Profit / (Loss) from operations	686,093	125,425	176,350	(20,960)	129,335	(4,905)	1,091,338
Share of profit / (l o s s) o f associates and joint ventures	-	(2,514)	2,329	83	(82,552)	62,574	(20,080)
Segment Profit / (Loss)	686,093	122,911	178,679	(20,877)	46,783	57,669	1,071,258
Investment properties, net	2,073,985	799,644	535,978	-	744,587	-	4,154,194
Property, plant and equipment, net	17,385	23,027	3,972	168,202	199	-	212,785
Trading properties	-	-	129,049	-	80,461	-	209,510
Goodwill	1,667	9,392	-	-	51,069	-	62,128
Inventories	10,002	-	463	5,962	-	-	16,427
Investments in associates and joint ventures	-	23,385	32,759	21,339	802	1,081,190	1,159,475
Operating assets (ii)	2,103,039	855,448	702,221	195,503	877,118	1,081,190	5,814,519

(i) From all of the Group's revenues, Ps. 2.283 million is originated in Argentina and Ps. 41 million in United States.

(ii)

From all of the Group's assets included in the segment, Ps. 4.937 million is located in Argentina and Ps. 877 million in other countries, principally in United States for Ps. 800 and Uruguay for Ps. 77 million, respectively.

June 30, 2012

	Shopping Center Properties	Offices and others	Sales and developments	Hotels	International	Financial operations and others	Total Urban properties and Investments
Revenues (i)	1,321,589	253,972	162,750	170,012	-	4,836	1,913,159
Costs	(628,474)	(95,007)	(114,191)	(117,580)	-	(1,687)	(956,939)
Gross profit	693,115	158,965	48,559	52,432	-	3,149	956,220
Gain from disposal of investment properties	-	-	116,689	-	-	-	116,689
General and administrative expenses	(56,863)	(36,897)	(36,473)	(37,375)	(8,838)	(296)	(176,742)
Selling expenses	(44,175)	(10,049)	(21,136)	(22,788)	-	2,157	(95,991)
Other operating results, net	(23,126)	(6,302)	(6,820)	(1,526)	43	736	(36,995)
Profit / (loss) from operations	568,951	105,717	100,819	(9,257)	(8,795)	5,746	763,181
Share of profit / (loss) of associates	-	-	1,046	(134)	(76,840)	90,694	14,766
Segment Profit / (Loss)	568,951	105,717	101,865	(9,391)	(85,635)	96,440	777,947
Investment properties, net	2,183,869	980,178	327,017	-	-	-	3,491,064
Property, plant and equipment, net	15,989	26,359	4,164	181,322	199	-	228,033
Trading properties	-	-	240,812	-	61,444	-	302,256
Goodwill	1,667	9,392	-	-	-	-	11,059
Inventories	10,394	-	474	4,791	-	-	15,659
Investments in associates	-	-	28,727	21,256	118,326	1,048,536	1,216,845
Total segment assets (ii)	2,211,919	1,015,929	601,194	207,369	179,969	1,048,536	5,264,916

(i) The Group's revenues are entirely originated in Argentina.

(ii) From all of the Group's assets included in the segment, Ps. 5,080 million is located in Argentina and Ps. 180 million in other countries, principally in United States for Ps. 118 and Uruguay for Ps. 62 million, respectively.

Results of our Operations for the Fiscal Years ended June 30, 2013 and 2012

Revenues

In the following discussion of our revenues, we may refer to “same store revenues” or “comparable revenues”. These terms refer to our properties open and operating throughout both years in the year-to-year comparisons.

Consolidated revenues increased 21.4% from Ps. 1,913.2 million generated during the fiscal year 2012 to Ps. 2,323.4 million generated during the fiscal year 2013 as a result of higher revenues from our Shopping Centers, Hotels, International and Offices and Other segments, except for the Financial Transactions and Other and Development and Sale segments, as described in further detail below.

Shopping centers

Revenues from our Shopping Centers segment increased by 22.8% from Ps. 1,321.6 million generated during the fiscal year 2012 to Ps. 1,622.3 million generated during the fiscal year 2013. This change resulted mainly from: (i) an increase of Ps. 167.7 million in revenues from base and percentage rent as a result of a 24.6% increase in our tenants' total sales, up from Ps. 9,898.8 million during the fiscal year 2012 to Ps. 12,336.6 million during the fiscal year 2013; and (ii) an increase of Ps. 98.5 million in revenues from common maintenance expenses and common advertising fund.

During the years ended June 30, 2013 and 2012, we have the same portfolio of shopping centers open and operating with the only exception of the acquisition of a 50% interest in a joint venture (La Ribera Shopping) in August 2012. The proportional consolidation of this joint venture revenues was not significant for the 2013 results.

Offices and Other

Revenues from our Offices and Other segment increased 14.6%, from Ps. 254.0 million generated during the fiscal year 2012 to Ps. 291.1 million generated during the fiscal year 2013, mainly due to higher lease prices of Ps. 21.3 million and Ps. 13.6 million in income from common maintenance expenses. As of the closing of the fiscal year 2013, the occupancy rate of the premium office portfolio was 97.1% and the total portfolio's rental price stood at 25.6 (US\$/leased sqm).

During fiscal year 2013 we sold 5 floors of Bouchard 557, 3 floors of Libertador 498, 2 floors of Maipú 1300 and 2 commercial stores of Costero Dique IV. Same store revenues from our segment Office and other non-shopping center rental properties increased by 17% from Ps. 248.8 million for fiscal year 2012 to Ps. 291.1 million for fiscal year 2013 (without considering the impact of scalation and expenses).

Development and Sale

These segments' revenues often exhibit major variations between periods by reason of (i) the non-recurrent nature of real estate sale transactions and the price obtained from them, (ii) the quantity of construction works in progress and (iii) the date of completion of these construction works projects. The revenues of our Development and Sale of Properties segment decreased by 12.8% from Ps. 162.8 million during the fiscal year 2012 to Ps. 142.0 million during the fiscal year 2013.

The revenues of our Development and Sale of Properties segment for the fiscal year 2013 included, mainly:

- Ps. 117.1 million in revenues from the sale of completed units in Horizons;
- Ps. 11.7 million in revenues from the sale of lots in "El Encuentro"; and
- Ps. 7.0 million in revenues from the sale of Caballito Nuevo.

The revenues of our Development and Sale of Properties segment for the fiscal year 2012 included, mainly:

- Ps. 110.6 million in revenues from the sale of completed units in Horizons;
- Ps. 27.3 million in revenues from the sale of parcels in Terrenos Rosario;
- Ps. 10.3 million in revenues from the sale of lots in "El Encuentro"; and
 - Ps. 9.2 million in revenues from the sale of Caballito Nuevo.

Hotels

Revenues from our Hotels segment increased 32.8% from Ps. 170.0 million during the fiscal year 2012 to Ps. 225.8 million during the fiscal year 2013, mainly due to the recovery of the revenues from our Llao Llao hotel, which had been affected by the eruption of a volcano in Chile that adversely impacted on the arrival of tourists to the City of Bariloche due to the closure of the airport during the fiscal year 2011. In fiscal the year 2013, Llao Llao recovered from a bad performance during 2012 and revised its rates.

International

Our International segment recorded revenues of Ps. 40.9 million during the fiscal year 2013 due to the consolidation, effective October 1, 2012, of the results from Rigby 183 LLC, the company that owns the rental office building located at 183 Madison Avenue, New York, USA. As of the closing of the fiscal year 2013, the occupancy rate of this building was 98.5%. This segment had recorded no revenues during the fiscal year 2012 because our investment in Rigby 183 LLC, wasn't consolidated in our Financial Results.

Financial Transactions and Other

Revenues from our Financial Transactions and Other segment decreased 75.1%, from Ps. 4.8 million during the fiscal year 2012 to Ps. 1.2 million during the fiscal year 2013, due to the discontinuance of the Consumer Finance activities carried out by our subsidiary Apsamedia S.A. (successor of Metroshop S.A.).

Costs

Consolidated costs increased 24.7%, from Ps. 956.9 million during the fiscal year 2012 to Ps. 1,193.5 million during the fiscal year 2013, due to the increase of costs of our Shopping Centers, Hotels, International and Offices and Other segments, partially offset by lower costs of our Financial Transactions and Other and Development and Sales of Properties segments. Our consolidated costs as a percentage of our consolidated revenues increased from 50.0% in fiscal year 2012 to 51.4% in fiscal year 2013.

Shopping Centers

Costs of our Shopping Centers segment increased 21.9%, from Ps. 628.5 million during the fiscal year 2012 to Ps. 765.8 million during the fiscal year 2013. This increase was mainly attributable to: (i) an increase in salaries, social security contributions and other personnel expenses of Ps. 53.8 million; (ii) an increase in maintenance, security, cleaning and repairs and related expenses of Ps. 27.7 million; (iii) an increase in amortization and depreciation of Ps. 15.7 million; (iv) an increase in advertising expenses and other selling expenses of Ps. 13.8 million; (v) an increase in taxes, rates and contributions of Ps. 11.3 million; and (vi) an increase in fees and compensation from services of Ps. 7.0 million.

Costs associated with our Shopping Centers segment as a percentage of this segment's revenues declined from 47.6% for the fiscal year 2012 to 47.2% for the fiscal year 2013.

Offices and Other

Depreciation accounts for the largest portion of this segment's costs. The costs of our Offices and Other segment increased by 24.8% from Ps. 95.0 million during the fiscal year 2012 to Ps. 118.6 million during the fiscal year 2013, mainly due to the increases of Ps. 10.6 million in amortization and depreciation of the office portfolio and of Ps. 3.9 million in maintenance, security, cleaning and repairs and related expenses. The costs associated with our Offices and Other segment as a percentage of this segment's revenues increased from 37.4% for the fiscal year 2012 to 40.7% for the fiscal year 2013.

Sales and Developments

This segment's costs often exhibit major variations between periods by reason of (i) the non-recurrent nature of real estate sale transactions and the price obtained from them, (ii) the quantity of construction works in progress, and (iii) the date of completion of these construction works projects. The costs associated with our Development and Sales of Properties segment decreased by 6.8% from Ps. 114.2 million during the fiscal year 2012 to Ps. 106.4 million during the fiscal year 2013.

The costs incurred by our Development and Sales of Properties segment for the fiscal year 2012 included mainly:

- Ps. 91.3 million of costs related to the sale of completed units in Horizons;
- Ps. 7.6 million of costs related to the sale of parcels in Terrenos Rosario; and
 - Ps. 3.0 million of costs related to the sale of Caballito Nuevo.

The costs incurred by our Development and Sales of Properties segment for the fiscal year 2013 included mainly:

- Ps. 91.1 million of costs related to the sale of completed units in Horizons;
- Ps. 1.8 million of costs related to the sale of Caballito Nuevo; and
- Ps. 1.8 million of costs related to the sale of lots in “El Encuentro”.

The costs associated with our Development and Sales of Properties segment as a percentage of revenues of this segment increased from 70.2% for the fiscal year 2012 to 74.9% for the fiscal year 2013.

Hotels

The costs of our Hotels segment increased by 43.1%. from Ps. 117.6 million during the fiscal year 2012 to Ps. 168.3 million during the fiscal year 2013, mainly due to an increase in the costs of the Llao Llao hotel of Ps. 26.4 million in salaries, social security contributions and other personnel expenses, basically because of the expiration of the crisis agreement entered into as a result of the eruption of the Puyehue volcano and the recovery of average occupancy levels. Our hotels in Buenos Aires also increased their salaries, social security contributions and other personnel expenses by Ps. 8.7 million, mainly due to agreed salary rises. The costs associated with our Hotels segment as a percentage of this segment's revenues increased from 69.2% for the fiscal year 2012 to 74.5% for the fiscal year 2013.

International

Our International segment recorded costs of Ps. 33.5 million during the fiscal year 2013 due to the consolidation of the results of Rigby 183 LLC, effective October 1, 2012. This segment had not recorded costs during the fiscal year 2012, because our investment in Rigby 183 LLC, wasn't consolidated in our Financial Results.

Financial Transactions and Other

The costs of our Financial Transactions and Other segment decreased Ps. 0.8 million from Ps. 1.7 million during the fiscal year 2012 to Ps. 0.9 million during the fiscal year 2013 as a result of the above mentioned discontinuation of the consumer finance business.

Gross profit

As a result of the factors described in the preceding paragraphs, gross profit increased by 18.2%. from Ps. 956.2 million during the fiscal year 2012 to Ps. 1,129.9 million during the fiscal year 2013, mainly due to an increase in gross profit of our Shopping Centers, Offices and Other, International and Hotels segments, partially offset by a reduction in gross profit of our Financial Transactions and Other and Development and Sales of Properties segments. Consolidated gross profit as a percentage of our consolidated revenues decreased from 50.0% for the fiscal year 2012 to 48.6% for the fiscal year 2013.

Shopping Centers

Gross profit of our Shopping Centers segment increased 23.6%, from Ps. 693.1 million during the fiscal year 2012 to Ps. 856.5 million during the fiscal year 2013.

Offices and Other

Gross profit of our Offices and Other segment increased 8.6%, from Ps. 159.0 million during the fiscal year 2012 to Ps. 172.6 million during the fiscal year 2013.

Development and Sales of Properties

Gross profit of our Development and Sales of Properties segment decreased 26.7%, from Ps. 48.6 million during the fiscal year 2012 to Ps. 35.6 million during the fiscal year 2013.

Hotels

Gross profit of our Hotels segment increased 9.8%. from Ps. 52.4 million in fiscal year 2012 to Ps. 57.6 million in fiscal year 2013.

International

Gross profit of our International segment was Ps. 7.4 million in fiscal year 2013 due to the consolidation of the results of Rigby 183 LLC. This segment had recorded no gross profit in fiscal year 2012.

Financial Transactions and Other

Gross profit of our Financial Transactions and Other segment decreased Ps. 2.8 million, from Ps. 3.1 million during the fiscal year 2012 to Ps. 0.3 million during the fiscal year 2013.

Income / (Loss) from the Sale of Investment Properties

Income / (Loss) from the sale of investment properties was Ps. 183.8 million during the fiscal year 2013, an increase of 57.5% from the Ps. 116.7 million income recorded during the fiscal year 2012, mainly due to the sales of functional units in: Bouchard 551 (Ps. 126.3 million gross profit), Libertador 498 (Ps. 38.3 million gross profit) and Maipú 1300 (Ps. 11.2 million gross profit). During the fiscal year 2012, sales of functional units in the following properties had been recorded: Costeros Dique IV (Ps. 53.7 million gross profit), Museo Renault (Ps. 40.4 million gross profit) and Thames (Ps. 14.7 million gross profit).

General and Administrative Expenses

The main components of general and administrative expenses are: wages, social security contributions and other personnel expenses, Directors' fees, fees and compensation from services and taxes, rates and contributions. General and administrative expenses increased by 11.5% from Ps. 176.7 million during the fiscal year 2012 to Ps. 197.0 million during the fiscal year 2013, mainly due to increases in our Hotels, Shopping Centers and International segments, partially offset by decreases in the Financial Transactions and Other, Offices and Other and Development and Sales of Properties segments. Consolidated general and administrative expenses as a percentage of consolidated revenues decreased from 9.2% in fiscal year 2012 to 8.5% in fiscal year 2013.

Shopping Centers

General and administrative expenses associated with our Shopping Centers segment increased by 16.9%, from Ps. 56.9 million during the fiscal year 2012 to Ps. 66.5 million during the fiscal year 2013, due to: (i) an increase in Directors' fees of Ps. 7.0 million; (ii) an increase in salaries, social security contributions and other personnel expenses of Ps. 1.5 million; and (iii) an increase of Ps. 0.3 million in fees and compensation from services. General and administrative expenses associated with our Shopping Centers segment as a percentage of this segment's revenues decreased from 4.3% for the fiscal year 2012 to 4.1% for the fiscal year 2013.

Offices and Other

General and administrative expenses of our Offices and Other segment decreased 5.5%, from Ps. 36.9 million during the fiscal year 2012 to Ps. 34.9 million during the fiscal year 2013, mainly as a result of a reduction of Ps. 1.5 million in Directors' fees. General and administrative expenses associated with our Offices and Other segment as a percentage of this segment's revenues decreased from 14.5% in fiscal year 2012 to 12.0% in fiscal year 2013.

Development and Sales of Properties

General and administrative expenses associated with our Development and Sales of Properties segment decreased by 9.8%, from Ps. 36.5 million during the fiscal year 2012 to Ps. 32.9 million during the fiscal year 2013, mainly due to a reduction of Ps. 1.9 million in Directors' fees. General and administrative expenses associated with our Development and Sales of Properties segment as a percentage of this segment's revenues increased from 22.4% in fiscal year 2012 to 23.2% in fiscal year 2013.

Hotels

General and administrative expenses associated with our Hotels segment increased 32.0% from Ps. 37.4 million during the fiscal year 2012 to Ps. 49.3 million during the fiscal year 2013, mainly as a result of an increase of Ps. 6.7 million in salaries, social security contributions and other personnel expenses. General and administrative expenses associated with our Hotels segment as a percentage of this segment's revenues decreased from 22.0% in fiscal year

2012 to 21.8% in fiscal year 2013.

International

General and administrative expenses associated with our International segment increased by 48.9%, from Ps. 8.8 million during the fiscal year 2012 to Ps. 13.2 million during the fiscal year 2013, due to the consolidation of the results of Rigby 183 LLC.

Selling Expenses

Selling expenses increased 22.0% from Ps. 96.0 million during the fiscal year 2012 to Ps. 117.1 million during the fiscal year 2013, mainly as a result of an increase in selling expenses of our Shopping Centers, Hotels, Financial Transactions and Other and Offices and Other segments, partially offset by reductions in selling expenses from our Development and Sales of Properties segment. Consolidated selling expenses as a percentage of consolidated revenues remained stable, at 5.0%.

Shopping Centers

Selling expenses associated with our Shopping Centers segment increased by 33.4% from Ps. 44.2 million during the fiscal year 2012 to Ps. 58.9 million during the fiscal year 2013, as a result of: (i) an increase in taxes, rates and contributions of Ps. 9.2 million; (ii) an increase in the loan loss charges, net of recoveries, of Ps. 4.4 million; and (iii) an increase of Ps. 2.0 million in advertising and other selling expenses. Selling expenses associated with our Shopping Centers segment as a percentage of this segment's revenues increased from 3.3% in fiscal year 2012 to 3.6% in fiscal year 2013.

Offices and Other

Selling expenses associated with our Offices and Other segment increased by 13.0% from Ps. 10.0 million during the fiscal year 2012 to Ps. 11.4 million during the fiscal year 2013, mainly due to an increase of Ps. 1.3 million in taxes, rates and contributions, principally as a result of higher revenues. Selling expenses associated with our Offices and Other segment as a percentage of this segment's revenues decreased from 4.0% in fiscal year 2012 to 3.9% in fiscal year 2013.

Development and Sales of Properties

Selling expenses from our Development and Sales of Properties segment consist in taxes, rates and contributions, fees and compensation from services and advertising and other selling expenses. Selling expenses of this segment decreased by 22.1% from Ps. 21.1 million during the fiscal year 2012 to Ps. 16.5 million during the fiscal year 2013, mainly due to a decrease of Ps. 3.2 million in taxes, rates and contributions and Ps. 1.2 million in advertising and other selling expenses. Selling expenses associated with our Development and Sales of Properties segment as a percentage of this segment's revenues decreased from 13.0% in fiscal year 2012 to 11.6% in fiscal year 2013.

Hotels

Selling expenses associated with our Hotels segment increased by 26.4% from Ps. 22.8 million during the fiscal year 2012 to Ps. 28.8 million during the fiscal year 2013, as a direct consequence of the recovery in the level of revenues and occupancy in our Llao Llao hotel. Selling expenses associated with our Hotels segment as a percentage of this segment's revenues decreased from 13.4% in fiscal year 2012 to 12.8% in fiscal year 2013.

Financial Transactions and Other

Selling expenses associated with our Financial Transactions and Other segment increased by Ps. 3.8 million, from an income of Ps. 2.2 million during the fiscal year 2012 to a loss of Ps. 1.6 million during the fiscal year 2013, mainly due to the non-recurrence of recoveries of loan losses of Apsamedia S.A.'s portfolio in 2013.

Other Operating Results, Net

Other operating results, net increased Ps. 128.8 million, from a loss of Ps. 37.0 million during the fiscal year 2012 to an income of Ps. 91.8 million during the fiscal year 2013, mainly due to increases in other operating results, net of our International, Development and Sales of Properties, Offices and Other and Hotels segments, partially offset by decreases in other operating income in our Financial Transactions and Other and Shopping Centers segments.

Shopping Centers

Other operating results, net of our Shopping Centers segment increased 94.7% from a loss of Ps. 23.1 million during the fiscal year 2012 to a loss of Ps. 45.0 million during the fiscal year 2013, mainly due to: (i) an increase in donations made of Ps. 16.4 million; and (ii) an increase in the charges for lawsuits and other contingencies of Ps. 8.2 million, partially offset by (iii) capital issuance expenses of Ps. 4.8 million incurred in the previous fiscal year. Other operating results, net associated with our Shopping Centers segment as a percentage of this segment's revenues increased from 1.7% in fiscal year 2012 to 2.8% in fiscal year 2013.

Offices and Other

Other operating results, net associated with our Offices and Other segment decreased 85.7%, from a loss of Ps. 6.3 million during the fiscal year 2012 to a loss of Ps. 0.9 million during the fiscal year 2013, mainly due to a reduction of Ps. 2.6 million in charges for lawsuits and other contingencies and of Ps. 1.6 million in donations. Other operating results, net associated with our Offices and Other segment as a percentage of this segment's revenues decreased from 2.5% in fiscal year 2012 to 0.3% in fiscal year 2013.

Development and Sales of Properties

Other operating results, net of this segment increased by Ps. 13.2 million from a loss of Ps. 6.8 million during the fiscal year 2012 to an income of Ps. 6.3 million during the fiscal year 2013, mainly as a result of the sale of our entire equity interest in Canteras Natal Crespo S.A. representing 50% of the company's stock capital.

Hotels

Other operating results, net associated with our Hotels segment decreased by 75.8% from Ps. 1.5 million during the fiscal year 2012 to Ps. 0.4 million during the fiscal year 2013. Other operating results, net associated with our Hotels segment as a percentage of this segment's revenues decreased from 0.9% in fiscal year 2012 to 0.2% in fiscal year 2013.

International

Other operating results, net associated with our International increased by Ps. 135.0 million, from Ps. 0.04 million during the fiscal year 2012 to Ps. 135.1 million during the fiscal year 2013, mainly due to the income generated by the acquisition of the additional interest in Rigby 183 LLC: (i) Ps. 124.1 million due to the change in the valuation of the former interest from equity value to fair value at the time of purchase; and (ii) Ps. 12.9 million for realization of the conversion's temporary exchange difference recognized until such time as a reserve in the shareholders' equity.

Financial Transactions and Other

Other operating results, net associated with our Financial Transactions and Other segment increased by Ps. 4.1 million, from an income of Ps. 0.7 million during the fiscal year 2012 to a loss of Ps. 3.4 million during the fiscal year 2013, due to the tax deducted by BHSA from the dividends paid to our subsidiaries Ritelco and Tyrus and a higher charge for lawsuits.

Operating income / (loss)

Operating income / (loss) increased 43.0% from an income of Ps. 763.2 million during fiscal year 2012 to an income of Ps. 1,091.3 million during fiscal year 2013, mainly due to an increase in the operating income / (loss) of our International, Shopping Centers, Development and Sales of Properties and Offices and Other segments, partially offset by operating losses of our Financial Transactions and Other and Hotels segments. Consolidated operating income / (loss) as a percentage of consolidated revenues increased from 39.9% in fiscal year 2012 to 47.0% in fiscal year 2013.

Shopping Centers

Operating income / (loss) of our Shopping Centers segment increased by 20.6%, from an income of Ps. 569.0 million during the fiscal year 2012 to an income of Ps. 686.1 million during the fiscal year 2013, mainly due to higher revenues, partially offset by increases in costs, general and administrative expenses, selling expenses and a higher loss recorded under other operating income, net. Operating income / (loss) of our Shopping Centers segment as a percentage of this segment's revenues decreased from 43.1% in fiscal year 2012 to 42.3% in fiscal year 2013.

Offices and Other

Operating income / (loss) of our Offices and Other segment increased by 18.6%, from an income of Ps. 105.7 million during the fiscal year 2012 to an income of Ps. 125.4 million during the fiscal year 2013, largely due to higher revenues, lower general and administrative expenses and a lower loss recorded under other operating income, net, partially offset by higher costs and selling expenses. Operating income / (loss) of our Offices and Other segment as a percentage of this segment's revenues increased from 41.6% in fiscal year 2012 to 43.1% in fiscal year 2013.

Development and Sales of Properties

Operating income / (loss) of our Development and Sales of Properties segment increased by 74.9%, from an income of Ps. 100.8 million during the fiscal year 2012 to an income of Ps. 176.4 million during the fiscal year 2013, mainly due to higher income from the sale of investment properties, lower costs, general and administrative expenses and selling expenses and income recorded under other operating income, net, partially offset by lower revenues. Operating income / (loss) of our Development and Sales of Properties segment as a percentage of this segment's revenues increased from 61.9% in fiscal year 2012 to 124.2% in fiscal year 2013.

Hotels

Operating income / (loss) of our Hotels segment rose 126.4%, from a loss of Ps. 9.3 million during the fiscal year 2012 to a loss of Ps. 21.0 million during the fiscal year 2013, mainly due to higher costs, general and administrative expenses and selling expenses, partially offset by higher revenues and lower losses recorded under other operating income, net.

International

Operating income / (loss) of our International segment increased by Ps. 138.1 million, from a loss of Ps. 8.8 million during the fiscal year 2012 to an income of Ps. 129.3 million during the fiscal year 2013, due to the consolidation of the results of Rigby 183 LLC, effective October 1, 2012.

Financial Transactions and Other

Operating income / (loss) of our Financial Transactions and Other segment decreased by Ps. 10.6 million, from an income of Ps. 5.7 million during the fiscal year 2012 to a loss of Ps. 4.9 million during the fiscal year 2013, due to higher revenues, higher selling expenses and higher losses recorded under other operating income, net, partially offset by lower costs and general and administrative expenses.

Income / (loss) from interests in equity investees and joint businesses

Income / (loss) from interests in equity investees and joint businesses decreased by Ps. 34.9 million, from an income of Ps. 14.8 million during the fiscal year 2012 to a loss of Ps. 20.1 million during the fiscal year 2013. The decrease was generated mainly by a lower income of Ps. 22.5 million resulting from our investment in Banco Hipotecario S.A. and a higher loss of Ps. 14.0 million resulting from our interest in New Lipstick LLC.

Financial results, net

Our financial loss increased by Ps. 211.4 million, from a loss of Ps. 426.8 million during the fiscal year 2012 to a loss of Ps. 638.2 million during the fiscal year 2013, mainly as a result of:

- a net loss of Ps. 189.1 million due to foreign exchange differences in fiscal year 2013 compared to the previous fiscal year, as a result of a higher variation of 19% in the U.S. dollar seller exchange rate during the fiscal year 2013 (it increased from Ps. 4.527 as of June 30, 2012 to Ps. 5.388 as of June 30, 2013) compared to the previous fiscal year, when the U.S. dollar exchange rate had experienced a smaller variation, of 10% (from Ps. 4.110 as of June 30, 2011 to Ps. 4.527 as of June 30, 2012);
- a loss of Ps. 51.2 million resulting from the increase in financing expenses due to payments of interest on financial debts, mainly consisting of our negotiable obligations; and
 - an income of Ps. 22.4 million due to higher interest income.

Income Tax

Income tax increased Ps. 15.9 million, from a loss of Ps. 116.9 million during the fiscal year 2012 to a loss of Ps. 132.8 million during the fiscal year 2013. We applied the deferred tax method upon assessing income tax for the two fiscal years, thus recognizing temporary differences as tax assets and liabilities.

Net Income

As a result of the factors described in the preceding paragraphs, net income increased by Ps. 72.5 million, from Ps. 224.7 million during the fiscal year 2012 to Ps. 297.2 million during the fiscal year 2013. Income attributable to the controlling company's shareholders increased by Ps. 34.8 million, from Ps. 203.9 million during the fiscal year 2012 to Ps. 238.7 million during the fiscal year 2013. Income attributable to the non-controlling interest increased by Ps. 37.7 million, from Ps. 20.8 million during the fiscal year 2012 to Ps. 58.5 million during the fiscal year 2013, mainly due to higher income obtained by the companies in which we have a controlling majority interest.

Banco Hipotecario's Results of Operations

Overview

We do not consolidate the consolidated financial statements of our investee Banco Hipotecario. However, according to Rule 3-09 of Regulation S-X, we are required to file separate financial statements of significant investees. This Management's Discussion and Analysis of Financial Condition and Results of Operations should be read together with Banco Hipotecario's consolidated financial statements contained elsewhere in this annual report. This discussion contains forward-looking statements that involve risks, uncertainties and assumptions. These forward-looking statements include, among others, those statements including the words "expects," "anticipates," "intends," "believes" and similar language. The actual results may differ materially and adversely from those anticipated in these forward-looking statements as a result of many factors, including those set forth elsewhere in this annual report.

Banco Hipotecario maintains its financial books and records in Pesos and prepares its financial statements in conformity with the policies of the Argentine Central Bank which prescribes the reporting and disclosure requirements for banks and financial institutions in Argentina ("Central Bank accounting rules"). These rules differ in certain respects from generally accepted accounting principles in Argentina ("Argentine GAAP"). A description of significant differences between Central Bank accounting rules and Argentine GAAP are set forth in Note 6 to Banco Hipotecario's consolidated financial statements. Central Bank accounting rules and Argentine GAAP also differ in certain significant respects from U.S. GAAP. Such differences involve methods of measuring the amounts shown in the consolidated financial statements, as well as additional disclosures required by U.S. GAAP and regulations of the SEC. See Note 34 to the consolidated financial statements of Banco Hipotecario included elsewhere in this annual report for a description of the principal differences between Central Bank accounting rules and U.S. GAAP, as they relate to Banco Hipotecario, and a reconciliation to U.S. GAAP of Banco Hipotecario's net income (loss) and shareholders' equity.

Critical Accounting Policies

Banco Hipotecario SA believes that the following are the critical accounting policies under Argentine Banking GAAP and U.S. GAAP, as they are important to the portrayal of its financial condition and results of operations and require its most difficult, subjective and complex judgment and the need to make estimates about the effect of matters that are inherently uncertain.

Allowance for loan losses

Banco Hipotecario SA allowance for loan losses are maintained in accordance with Argentine Banking GAAP. Under such regulations, a minimum allowance for loan losses is calculated primarily based upon the classification of Banco Hipotecario's commercial loan borrowers and the past due status of Banco Hipotecario's individual loan borrowers, in both cases considering the guarantee of the loans. Although the Bank is required to follow the methodology and guidelines for determining its allowance for loan loss as set forth by the Central Bank, is allowed to provide additional allowances for loan loss.

Banco Hipotecario classifies individual loans based upon their past due status consistently with the requirements of the Central Bank. Minimum loss percentages required by the Central Bank are also applied to the totals in each loan classification. Balances of loans and reserves are charged-off and reflected on its balance sheet three months since the date on which the loans were fully covered by its loan loss allowance.

For commercial loans, the Central Bank required to classify all of Banco Hipotecario's commercial loan borrowers. In order to perform the classification, the Bank must consider the management and operating history of the borrower, the

present and projected financial situation of the borrower, the borrower's payment history and ability to service the debt, the capability of the borrower's internal information and control systems and the risk in the sector in which the borrower operates. The Bank applies the minimum loss percentages required by the Central Bank to Banco Hipotecario's commercial loan borrowers based on the loan classification and the nature of the collateral, or guarantees, of the loan. In addition, based on the overall risk of the portfolio, the Bank considers whether or not additional loan loss allowance in excess of the minimum required are warranted. The Credit Committee evaluates several factors in order to determine the additional reserves like the factors mentioned above.

Under U.S. GAAP the allowance for loan losses represent the estimate of probable losses in the loan portfolio. Determining the allowance for loan losses requires significant management judgments and estimates including, among others, identifying impaired loans, determining customers' ability to pay and estimating the fair value of underlying collateral or the expected future cash flows to be received. Actual events are likely to differ from the estimates and assumptions used in determining the allowance for loan losses. Additional provisions for loan losses could be required in the future.

Fair Value Estimates

The Bank prepares its financial statements in accordance with the rules of the Argentine Central Bank related thereto, which differ from U.S. GAAP in valuing financial instruments.

Argentina Banking GAAP allows companies to record their financial instruments at fair value. Nevertheless, give specifics valuations rules for some securities and derivatives instruments.

U.S. GAAP requires financial instruments to be valued at fair value. The Bank estimated the fair value, for AFS and trading securities and other financial instruments, as the amount at which a financial instrument could be exchanged in a current transaction between willing parties, other than in a forced sale or liquidation, and such value was best evidenced by a quoted market price, if one existed. In cases where quoted market prices were not available, fair value estimation was based on the quoted market price of a financial instrument with similar characteristics, the present value of expected future cash flows, or other valuation techniques, all of which were significantly affected by the assumptions used.

Minimum Presumed Income Tax

The Bank has recognized the minimum presumed income tax accrued as of June 30, 2013 and paid in prior years as an asset as of June 30, 2013, because the Bank started to generate taxable income and expects to be able to compute it as a payment on account of income tax in future years. Recognition of this asset arises from the ability to generate sufficient taxable income in future years to absorb the asset before it expires. Management's determination of the likelihood that deferred tax assets can be realized is subjective, and involves estimates and assumptions about matters that are inherently uncertain. The realization of deferred tax assets arises from levels of future taxable income and the achievement of tax planning strategies.

Underlying estimates and assumptions can change over time, influencing its overall tax positions, as a result of unanticipated events or circumstances.

Deferred Income Tax

Argentine Banking GAAP requires income taxes to be recognized on the basis of amounts due in accordance with Argentine tax regulations. Temporary differences between the financial reporting and income tax bases of accounting are therefore not considered in recognizing income taxes.

In accordance with ASC 740-10, under U.S. GAAP income taxes are recognized on the liability method whereby deferred tax assets and liabilities are established for temporary differences between the financial reporting and tax bases of our assets and liabilities. Deferred tax assets are also recognized for tax loss carryforwards. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recorded or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment date. A valuation allowance is recognized for that component of net deferred tax assets which is “more likely than not” that it will not be recoverable.

Twelve month periods ended June 30, 2013 and 2012

General

The following table sets forth the principal components of its net income for the periods ended June 30, 2013 and 2012.

		Period ended June 30,		% Change	
		2013	2012	2013/2012	
		(in millions of pesos, except for percentages)			
Financial income	Ps.	2,424.2	Ps.	1,881.7	28.8 %
Financial expenses		(1,284.3)		(983.2)	30.6 %
Net financial income	Ps.	1,139.9	Ps.	898.5	26.9 %
Provision for loan losses		(233.4)		(154.5)	51.0 %
Net contribution from insurance (1)		359.8		256.9	40.0 %
Other income from services		977.6		796.2	22.8 %
Other expenses for services		(233.3)		(191.3)	22.0 %
Administrative expenses		(1,612.2)		(1,276.9)	26.3 %
Net income from financial transactions	Ps.	398.4	Ps.	328.9	21.1 %
Miscellaneous income, net (2)		31.4		23.1	35.7 %
Non-Controlling interest		(14.1)		(0.6)	NM
Income tax		(76.5)		(50.3)	52.2 %
Net income	Ps.	339.1	Ps.	301.1	12.6 %

(1) Insurance premiums minus insurance claims.

(2) Miscellaneous income minus miscellaneous expenses.

Net Income

Banco Hipotecario SA's net income for the period ended June 30, 2013 of Ps. 339.1 million was higher than its net income Ps. 301.1 for the period ended June 30, 2012, of Ps. 301.1, principally due to:

- higher financial income principally as a result of an increase from consumer products partially offset by lower income from government and private securities;

- higher income from services mainly due to an increase in credit card commissions, and an increase in the activity developed by BHN Sociedad de Inversión S.A.

These factors were partially offset by:

- higher administrative expenses mainly related to salaries, social security contributions, and fees related to actions adopted by the Bank in developing its retail banking business.
- higher financial expenditures principally as a result of higher interest liabilities resulting from increased average balances of time deposits, bonds and similar obligations.

Financial Income

The following table sets forth the principal components of its financial income for the periods ended June 30, 2013 and 2012.

	Periods ended June 30,		% Change	
	2013	2012	2013/2012	
	(in millions of pesos, except for percentages)			
Interests from:	Ps.	Ps.		
Mortgage loans and other financial transactions	264.3	239.7	10.3	%
Financial trusts	134.2	105.7	27.0	%
Cash and due from banks	6.9	5.1	35.2	%
Interbank Loans	49.8	23.3	114.1	%
Other Loans	321.3	245.6	30.8	%
Credit card Loans	649.3	454.6	42.8	%
Personal Loans	371.1	217.1	70.8	%
Overdraft facilities	168.8	115.0	46.7	%
Buyback of restructured debt	-	11.9		NM
Government and Corporate Securities	285.9	353.5	-19.1	%
Adjustment from application of CER clause	8.3	8.7	-5.0	%
Hedges	95.3	51.6	84.8	%
Others	69.0	49.9	38.3	%
Total Financial Income	Ps. 2,424.2	Ps. 1,881.7	28.8	%

Banco Hipotecario's financial income increase of 28.8% to Ps. 2,424.2 million for the period ended June 30, 2013 from Ps. 1,881.7 million for the period ended June 30, 2012 primarily resulted from:

- higher income from credit cards and personal loans as a result of higher loans originations. The balances of credit card loans and personal loans have increased 31.4% and 41.5%, respectively, during the twelve-month period ended June 30, 2013;
 - higher income from other loans and overdraft facilities as a result of higher average balances;
 - higher income from hedge operations, mainly due to higher market prices.

These factors were partially offset by:

- lower income from government and private securities as a result of lower average balances.

Financial Expenses

The following table sets forth information regarding its financial expenses for the periods ended June 30, 2013 and 2012.

	Periods ended June 30,		% Change	
	2013	2012	2013/2012	
	(in millions of pesos, except for percentages)			

Bonds and similar obligations	Ps. 267.2	Ps. 186.5	43.3	%
Borrowings from banks				