

CRESUD INC
Form 20-F
November 17, 2015

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

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

For the fiscal year ended: June 30, 2015

OR

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

OR

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

Date of event requiring this shell company report ____

For the transition period from ____ to ____

Commission file number: 001-29190

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

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

Republic of Argentina
(Jurisdiction of incorporation or organization)

Moreno 877, 23 Floor,
(C1091AAQ) City of Buenos Aires, Argentina
(Address of principal executive offices)

Matías Gaivironsky
Chief Financial Officer

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Moreno 877, 24 Floor,

(C1091AAQ) Buenos Aires, Argentina

(Name, Telephone, E-mail and/or Facsimile number and Address of Company Contact Person)

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

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

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

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

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

Cresud S.A.C.I.F. y A.
(THE "COMPANY")

The number of outstanding shares of the issuer's common stock as of June 30, 2015 was 501,642,804.

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

Yes No

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

Yes No

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

S 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 for such shorter period that the registrant was required to submit and post such files).

£ Yes S No

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

Large accelerated filer £ Accelerated filer
S Non-accelerated filer £

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

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

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

£ Item 17 £ Item 18

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

£ Yes S No

Cresud

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DISCLOSURE REGARDING FORWARD-LOOKING INFORMATION

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

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

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

- changes in general economic, business or political or other conditions in Argentina or changes in general economic or business conditions in latin america; and other countries in which we have direct and/or indirect operations and/or investments.
- changes in capital markets in general that may affect policies or attitudes toward lending to Argentina or Argentine companies;
- inflation, changes in exchange rates or regulations applicable to currency exchanges or transfers;
- our ability to integrate our business with companies and/or assets we may acquire;
- unexpected developments in certain existing litigation;
- current and future laws and governmental regulations applicable to our business;
- increased costs;
- fluctuations and reductions on the value of Argentina’s public debt;
- unanticipated increases in financing and other costs or the inability to obtain additional debt or equity financing on attractive terms;
- force majeure; and
- the risk factors discussed under Item 3 (d) Risk Factors.

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

CERTAIN MEASURES AND TERMS

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

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

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

PRESENTATION OF FINANCIAL AND CERTAIN OTHER INFORMATION

FINANCIAL STATEMENTS

This annual report contains our Audited Consolidated Financial Statements as of June 30, 2015 and 2014 and for the fiscal years ended June 30, 2015, 2014 and 2013 (our “Audited Consolidated Financial Statements”). Our Audited Consolidated Financial Statements have been audited by Price Waterhouse & Co. S.R.L. Buenos Aires Argentina, a member firm of PricewaterhouseCoopers International Limited, an independent registered public accounting firm (“Price Waterhouse & Co.”), whose report is included herein.

Pursuant to Resolution No.562/09 issued by the Comisión Nacional de Valores (“CNV”), as subsequently amended by Resolution No. 576/10, text amended and restated by Resolution No. 622/13 (the “Rules of the CNV”), all listed companies in Argentina with certain exceptions (i.e. financial institutions and insurance entities) are 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 fiscal year ended June 30, 2013, which included comparative financial information for the year ended June 30, 2012. The opening IFRS statement of financial position was prepared as of our transition date of July 1, 2011. All IFRS standards issued by the IASB effective at the time of preparing the Audited Consolidated Financial Statements have been applied.

MARKET DATA

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

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

Solely for the convenience of the reader, we have translated certain Peso amounts into U.S. Dollars at the offer exchange rate quoted by Banco de la Nación Argentina for June 30, 2015, which was Ps. 9.088 = US\$ 1.00. We make no representation that the Peso or U.S. Dollar amounts actually represent or could have been or could be converted into U.S. Dollars at the rates indicated, at any particular rate or at all.

PART I

Item 1. Identity of Directors, Senior Management and Advisers

This item is not applicable.

Item 2. Offer Statistics and Expected Timetable

This item is not applicable.

Item 3. Key Information

A. SELECTED CONSOLIDATED FINANCIAL DATA

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

The selected consolidated statements of income and comprehensive income data for the years ended June 30, 2015, 2014, 2013 and 2012 and the selected consolidated statements of financial position data as of June 30, 2015 and 2014 have been derived from our Audited Consolidated Financial Statements included in this annual report which have been audited by Price Waterhouse & Co S.R.L. City of Buenos Aires, Argentina, member of PriceWaterhouseCoopers International Limited, an independent registered public accountants' firm.

The selected consolidated statements of income and comprehensive income data for the year ended June 30, 2012 and the selected consolidated statements of financial position data as of June 30, 2013, 2012 and July 1, 2011 have been derived from our Audited Consolidated Financial Statements as of June, 30, 2013 which have been audited by Price Waterhouse & Co S.R.L. and are not included herein.

	IFRS				
	For the fiscal year ended June 30,				
	2015(1)	2015	2014	2013	2012
	(in thousands of US\$) (in thousands of Ps.)				
Consolidated Statements of Income					
Revenues	621,898	5,651,805	4,604,011	3,528,551	2,859,849
Costs	(524,837)	(4,769,715)	(3,914,592)	(3,120,495)	(2,464,219)
Initial recognition and changes in fair value of biological assets and agricultural produce at the point of harvest	145,703	1,324,152	1,152,653	886,744	700,946
	(3,793)	(34,471)	(17,447)	11,756	2,720

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Changes in net realizable value of agricultural
produce after harvest

Gross Profit	238,971	2,171,771	1,824,625	1,306,556	1,099,296
Gain from disposal of investment properties	126,566	1,150,230	230,918	177,999	116,689
Gain from disposal of farmlands	60,570	550,462	91,356	149,584	45,490
General and administrative expenses	(67,982)	(617,820)	(533,939)	(346,383)	(320,677)
Selling expenses	(52,174)	(474,158)	(352,726)	(279,463)	(200,461)
Other operating results, net	1,343	12,209	(75,008)	98,068	(93,381)
Profit from operations	307,294	2,792,694	1,185,226	1,106,361	646,956
Share of (loss)/profit of associates and joint ventures	(112,783)	(1,024,972)	(408,651)	(9,818)	2,796
Profit from operations before financing and taxation	194,511	1,767,722	776,575	1,096,543	649,752
Finance income	26,530	241,109	288,188	200,857	139,491
Finance cost	(185,335)	(1,684,328)	(2,852,000)	(1,124,746)	(757,497)
Other Financial results	17,062	155,058	(10,586)	15,128	48,691
Financial results, net	(141,743)	(1,288,161)	(2,574,398)	(908,761)	(569,315)
Profit/(Loss) before income tax	52,768	479,561	(1,797,823)	187,782	80,437
Income tax (expense)/benefit	(33,379)	(303,350)	389,415	(33,519)	(21,956)
Profit/(Loss) for the year	19,329	176,211	(1,408,408)	154,263	58,481
Attributable to:					
Equity holders of the parent	(27,468)	(249,619)	(1,067,880)	(26,907)	(21,329)
Non-controlling interest	46,856	425,830	(340,528)	181,170	79,810

IFRS
For the fiscal year ended June 30,
2015(1) 2015 2014 2013 2012
(in
thousands
of US\$) (in thousands of Ps.)

Consolidated Statements of Comprehensive Income

Profit/(Loss) for the year	19,389	176,211	(1,408,408)	154,263	58,481
Other comprehensive income:					
Items that may be reclassified subsequently to profit or loss:					
Currency translation adjustment	(57,382)	(521,489)	1,284,550	180,908	(231,288)
Currency translation adjustment from associates and joint ventures	8,980	81,606	(17,409)	1,715	(3,530)
Other comprehensive (loss)/income for the year	(48,402)	(439,883)	1,267,141	182,623	(234,818)
Total comprehensive income/(loss) for the year	29,013	(263,672)	(141,267)	336,886	(176,337)
Attributable to:					
Equity holders of the parent	(48,430)	(440,130)	(436,557)	65,647	(103,268)
Non-controlling interest	19,416	176,458	295,290	271,239	(73,069)

IFRS

As of fiscal year ended June 30,
2015(1) 2015 2014 2013 2012
(in
thousands
of US\$) (in thousands of Ps.)

CASH FLOW DATA

Net cash generated from operating activities	54,414	494,514	883,163	648,519	668,411
Net cash generated from/(used in) investing activities	96,161	873,910	(885,945)	(93,012)	(353,920)
Net cash used in financing activities	(195,669)	(1,778,241)	(446,249)	(17,160)	(478,941)

IFRS

For the fiscal year ended June 30,
2015(1) 2015 2014 2013 2012 July 1,
2011
(in
thousands
of US\$) (in thousands of Ps.)

Consolidated Statements of Financial Position

ASSETS

Non-Current Assets

Investment properties	382,368	3,474,959	3,454,616	4,171,401	3,454,677	3,544,383
Property, plant and equipment	217,561	1,977,195	2,381,956	1,841,454	1,872,920	1,976,970
Trading properties	14,267	129,654	132,555	97,828	86,511	74,058
Intangible assets	19,340	175,763	175,007	218,537	168,302	173,682
Biological assets	50,493	458,879	444,853	303,128	278,208	325,864
	305,093	2,772,685	2,375,339	1,486,862	1,500,560	1,438,855

Investments in associates and joint ventures						
Deferred income tax assets	71,763	652,186	852,642	179,228	80,674	23,914
Income tax credit	17,656	160,457	177,547	198,871	156,892	123,854
Restricted assets	473	4,301	50,897	54,631	-	-
Trade and other receivables	46,960	426,777	475,349	291,430	297,169	236,787
Investment in financial assets	68,535	622,845	275,012	253,742	626,683	426,152
Derivative financial instruments	22,844	207,602	233	25,377	18,434	60,442
Total Non-Current Assets	1,217,353	11,063,303	10,796,006	9,122,489	8,541,030	8,404,961
Current Assets						
Trading properties	363	3,300	4,596	11,689	10,529	28,443
Biological assets	13,204	119,998	195,830	97,564	85,251	107,239
Inventories	56,267	511,350	439,771	252,376	253,447	371,268
Restricted assets	66,794	607,021	-	1,022	-	-
Income tax credit	3,383	30,749	19,694	4,779	28,762	76,116
Assets held for sale	-	-	1,357,866	-	-	-
Trade and other receivables	195,023	1,772,373	1,438,408	1,480,314	859,302	679,426
Investment in financial assets	55,469	504,102	495,633	385,585	72,069	62,465
Derivative financial instruments	3,252	29,554	32,897	7,321	2,578	18,966
Cash and cash equivalents	69,729	633,693	1,002,987	1,047,586	471,922	694,552
Total Current Assets	463,484	4,212,140	4,987,682	3,288,236	1,783,860	2,038,475
TOTAL ASSETS	1,680,837	15,275,443	15,783,688	12,410,725	10,324,890	10,443,436

	IFRS					July 1,
	As of fiscal year ended June 30,					2011
	2015(1)	2015	2014	2013	2012	
	(in thousands of US\$)					(in thousands of Ps.)
SHAREHOLDERS' EQUITY						
Capital and Reserves Attributable to Equity						
Holders of the Parent						
Share capital	54,443	494,777	490,997	496,562	496,562	496,562
Treasury stock	756	6,866	10,566	5,001	5,001	5,001
Inflation adjustment of share capital	7,101	64,530	64,047	64,773	164,561	164,561
Inflation adjustment of treasury stock	98	895	1,378	652	1,657	1,657
Share premium	72,564	659,464	773,079	773,079	773,079	773,079
Additional paid-in capital from treasury stock	1,395	12,678	-	-	-	-
Cost of treasury stock	(3,543)	(32,198)	(54,876)	-	-	-
Share warrants	-	-	106,264	106,264	106,263	106,263
Cumulative translation adjustment	48,756	443,096	633,607	2,284	(6,889)	-
Equity-settled compensation	9,022	81,988	70,028	8,345	(81,939)	-
Changes in non-controlling interest	5,921	53,806	(15,429)	(21,996)	1,833	1,012
Legal reserve	-	-	81,616	46,835	42,922	32,293
Reserve for new developments	-	-	17,065	337,065	389,202	320,064
Special reserve	-	-	633,940	695,628	-	-
Reserve for the acquisition of securities issued by the company (Accumulated deficit) / Retained Earnings	3,543	32,198	200,000	-	-	-
Equity Attributable to equity holders of the parent	(27,076)	(246,069)	(1,066,428)	(26,522)	666,611	829,207
Non-controlling interest	172,980	1,572,031	1,945,854	2,487,970	2,558,863	2,729,699
TOTAL SHAREHOLDERS' EQUITY	256,374	2,329,927	2,488,932	2,231,096	2,132,648	2,480,379
LIABILITIES						
Non-current liabilities						
Trade and other payables	29,055	264,054	216,760	228,267	168,860	155,726
Borrowings	641,832	5,832,973	5,315,335	4,189,896	2,770,087	2,056,244
Deferred income tax liabilities	16,581	150,691	470,045	530,263	630,011	769,941
Derivative financial instruments	29,704	269,949	320,847	2,773	22,859	-
Payroll and social security liabilities	609	5,539	5,041	3,984	783	635

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Provisions	42,578	386,948	220,489	71,626	22,553	14,939
Total non-current liabilities	760,359	6,910,154	6,548,517	5,026,809	3,615,153	2,997,485
Current Liabilities						
Trade and other payables	143,798	1,306,835	1,004,180	899,542	586,691	580,675
Income tax liabilities	15,665	142,361	73,429	92,182	118,041	80,242
Payroll and social security liabilities	25,352	230,400	202,546	120,835	103,919	81,085
Borrowings	271,350	2,466,030	2,639,491	1,527,390	1,187,082	1,479,803
Derivative financial instruments	28,910	262,734	53,419	8,691	18,558	8,353
Provisions	6,049	54,971	20,708	16,210	3,935	5,715
Liabilities held for sale	-	-	806,612	-	-	-
Total current liabilities	491,124	4,463,331	4,800,385	2,664,850	2,018,226	2,235,873
TOTAL LIABILITIES	1,251,483	11,373,485	11,348,902	7,691,659	5,633,379	5,233,358
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES						
	1,680,837	15,275,443	15,783,688	12,410,725	10,324,890	10,443,436

Other Financial Data	IFRS				
	As of fiscal year ended June 30				
	2015(1)	2015	2014	2013	2012
	(in US\$, except for percentages, ratios and number of shares)				
	(in Ps, except for percentages, ratios, number of shares, per share and per ADS data)				
Basic net income per share (2)	(0.06)	(0.51)	(2.15)	(0.05)	(0.04)
Diluted net income per share (3)	(0.06)	(0.51)	(2.15)	(0.05)	(0.04)
Basic net income per ADS (2)(4)	(0.56)	(5.07)	(21.50)	(0.54)	(0.43)
Diluted net income per ADS (3)(4)	(0.56)	(4.50)	(21.50)	(0.54)	(0.43)
Capital stock	55,199	501,643	501,563	501,563	501,563
Number of common shares	501,642,804	501,642,804	501,562,730	501,562,730	501,562,534
Weighted – average number of common shares outstanding	492,020,463	492,020,463	496,132,488	496,561,931	496,561,780
Diluted weighted – average number of common shares (5)	554,375,631	554,375,631	558,487,656	558,917,099	558,916,948
Dividends paid (6)	-	-	-	120,000	120,000
Dividends per share	-	-	-	0.24	0.24
Dividends per ADS (4)	-	-	-	2.42	2.42
Depreciation and amortization	28,369	257,822	296,919	279,738	233,137
Gross margin (7)	0.31	0.31	0.32	0.30	0.31
Operating margin (8)	0.40	0.40	0.21	0.25	0.18
Net margin (9)	0.03	0.03	(0.24)	0.03	0.02
Ratio of current assets to current liabilities (10)	0.94	0.94	1.04	1.23	0.88
Ratio of shareholders' equity to total liabilities (11)	0.34	0.34	0.39	0.61	0.83
Ratio of non current assets to total assets (12)	0.72	0.72	0.68	0.74	0.83
Ratio of "Return on Equity" – ROE (13)	0.04	0.04	(0.31)	0.03	0.01

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

Argentina for June 30, 2015 which was Ps.9.088 = US\$1.00. We make no representation that the Peso or U.S. Dollar amounts actually represent, could have been or could be converted into U.S. Dollars at the rates indicated, at any particular rate or at all.

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

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

- (4) Determined by multiplying per share amounts by ten (one ADS equals ten common shares).
- (5) Assuming exercise of all outstanding warrants to purchase our common shares.
- (6) The shareholders' meeting held in October 2013 approved the distribution of a cash dividend for an amount of Ps.120 million for the fiscal year ended June 30, 2013.
- (7) Gross profit divided by the sum of revenues and initial recognition and changes in

- fair value of biological assets and agricultural produce at the point of harvest.
- (8) Operating income divided by the sum of revenues and initial recognition and changes in fair value of biological assets and agricultural produce at the point of harvest.
- (9) Net income divided by the sum of revenues and initial recognition and changes in fair value of biological assets and agricultural produce at the point of harvest.
- (10) Current assets over current liabilities.
- (11) Shareholders' equity over total liabilities.
- (12) Non-current assets over total assets.
- (13) Profitability refers to Income for the year divided by average Shareholders'

equity.

Exchange Rates

In addition to the above measures, on February 8, 2002, the Argentine Central Bank (the “Central Bank”) issued strong restrictions which required the prior authorization of the Central Bank with respect to transfers of funds abroad for the purpose of servicing principal and/or interest payments on foreign indebtedness.

Since October 2011, the Argentine government has expanded the restrictions on access to the foreign exchange market and transfers of foreign currency abroad. Through a combination of foreign exchange and tax regulations, the Argentine authorities have significantly curtailed access to foreign exchange by individuals and private sector entities. Current foreign exchange regulations include, among others, the obligation to obtain prior approval by the Central Bank of certain foreign exchange transactions such as payments relating to royalties, services or fees payable to related parties of Argentine companies outside Argentina (pursuant to section 3.4 of Central Bank Communication “A” 5264, issued January 3, 2012, as amended and supplemented), the ability of individuals to purchase foreign currency, subject to the limits set forth by the Argentine tax authority, restrictions for legal entities to purchase foreign currency to create or increase portfolio investments outside of Argentina, and limits to the net position in foreign exchange holdings of financial institutions (pursuant to Central Bank Communication “A” 5611, issued on August 4, 2014).

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

	Maximum(1)(2)	Minimum(1)(3)	Average(1)(4)	At closing(1)
Fiscal year ended June 30, 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
Fiscal year ended June 30, 2014	8.0830	5.3700	6.7657	8.0830
Fiscal year ended June 30, 2015	9.0380	8.0850	8.5599	9.0380
July 2015	9.1400	9.0430	9.0934	9.1400
August 2015	9.2460	9.1450	9.1939	9.2460
September 2015	9.3720	9.2540	9.3167	9.3720
October 2015	9.4960	9.3800	9.4407	9.4960
November 2015 (through November 12, 2015)	9.5650	9.5050	9.5337	9.5650

Source: Central Bank

- (1) Average between the offer exchange rate and the bid exchange rate according to Banco de la Nación Argentina “foreign currency exchange rate”.
- (2) The maximum exchange rate appearing in the table was the highest end-of-month exchange rate in the year or shorter period, as indicated.
- (3) The minimum exchange rate appearing in the table was the highest end-of-month exchange rate in the year or shorter period, as indicated.
- (4) Average exchange rates at the end of the month.

Increases in Argentine inflation or devaluation and depreciation of the Peso could have a material adverse effect on our results.

B. CAPITALIZATION AND INDEBTEDNESS

This section is not applicable.

C. REASONS FOR THE OFFER AND USE OF PROCEEDS

This section is not applicable.

D. RISK FACTORS

You should carefully consider the risks described below, in addition to the other information contained in this annual report, before making an investment decision. We also may face additional risks and uncertainties that are not presently known to us, or that we currently deem immaterial, which may adversely affect 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 American Depositary Shares (“ADSs”) involves a high degree of risk, including the possibility of loss of your entire investment.

Risks Relating to Argentina.

We depend on macroeconomic and political conditions in Argentina.

We are exposed to economic conditions in Argentina, considering that as of the date of this annual report, substantially all of our assets were located in Argentina and all of our activities are conducted in Argentina. The Argentine economy has experienced significant volatility in recent decades, characterized by periods of low or negative growth, high and variable levels of 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. Among other consequences, the crisis resulted in Argentina defaulting on its foreign debt obligations, introducing emergency measures and numerous changes in economic policies that affected the utility companies and many other sectors of the economy, and suffering a significant devaluation of the Peso, which in turn caused numerous Argentine private sector debtors with foreign currency exposure to default on their outstanding debt. Although the economy has largely recovered from the crisis, during 2014, the Argentine economy has shown signs of slowdown due to the increase in the applicable exchange rates and decreases in commodity prices. The Argentine economy is suffering high inflation and has an increasing need of capital investment, with many sectors, particularly the energy sector, operating near full capacity.

An economic slowdown suggests uncertainty as to whether the economic growth experienced in the past decade may be sustainable. This is mainly because economic growth was initially dependent on a significant devaluation of the Argentine Peso, excess production capacity resulting from a long period of deep recession and high commodity prices. Furthermore, the economy has suffered a sustained erosion of direct investment and capital investment. After the 2001 economic crisis, Argentina recovered with significant increases in gross domestic product (“GDP”) at an average of 8.5% on annual basis between 2003 and 2008. As a result of the 2008 global financial crisis, Argentina GDP’s growth rate decreased to 0.9% in 2009, though growth rebounded to 9.2% in 2010 and 8.9% in 2011. During 2012, the Argentine economy experienced a slowdown, with GDP increasing at a rate of 1.9%. In March 2014, the Argentine government announced a new method of calculating GDP as requested by the International Monetary Fund (“IMF”) (using 2004 as the base year instead of 1993, which was the base reference year used in the prior method of GDP calculation). Following changes in the methodology used in calculating GDP, the National Institute of Statistics (“Instituto Nacional de Estadísticas y Censos” or “INDEC”) reported that Argentina’s GDP’s growth rate for 2013 was 3% and 0.5% for 2014. This decrease was principally due to the deceleration of the global economy and macroeconomic conditions in Argentina during 2014. As of July 31, 2015, the Monthly Economic Activity Estimator (Estimador Mensual de Actividad Económica, or the “EMAE”) increased 2.7%, relative to the same period in the prior year, according to data published by the INDEC. Argentina’s relative stability since 2002 has been affected by increased social and political tension and government intervention in the economy.

Our business depends to a significant extent on macroeconomic and political conditions in Argentina. 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.

According to the INDEC, the consumer price index increased 23.9%, 10.9% and 10.8% in 2014, 2013 and 2012, respectively, and for the six months ended June 30, 2015, increased 15.0% relative to the same period in the prior year. Uncertainty surrounding future inflation rates has slowed any potential recovery in the long-term credit market. Private estimates, on average, refer to annual rates of inflation substantially in excess of those published by the INDEC.

In the past, inflation has materially undermined the Argentine economy and the government's ability to foster conditions that would permit stable growth. High inflation may also undermine Argentina's foreign competitiveness in international markets and adversely affect economic activity and employment, as well as our business and results of operation. In particular, the margin on our services is impacted by the increase in our costs in providing those services, which is influenced by wage inflation in Argentina, as well as other factors. While certain of our tenant leases include provisions that allow us to agree with our tenants to periodical increases of the lease prices, there can be no assurance that these provisions will adequately protect us against rapid inflation.

High inflation would also 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, 5% of the Argentine debt is adjusted by the Reference Stabilization Coefficient ("Coeficiente de Estabilización de Referencia" or "CER" as 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 obligations.

The government has taken certain measures in order to control inflation, such as implementing a fair price program, by virtue of which supermarkets have to offer certain products at a government determined price, and sectorial agreements in order to implement salary increases. Additionally, the Argentine government has recently enacted Law No.26,991 (the "Supply Law"), which amends Law No.20,680, and enables the federal government to intervene in certain markets when it considers that any party to such market is trying to impose prices, or supply restrictions over such market. The Supply Law provides among others pecuniary sanctions, suspension, seizure of operations, and confiscation of goods.

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 was calculated as the monthly average of a weighted basket of consumer goods and services that reflects the pattern of consumption of Argentine households. At the time that the INDEC adopted this change in methodology the Argentine government also replaced several key officers at the INDEC, prompting complaints of governmental interference from the technical staff at the INDEC. In addition, the International Monetary Fund ("IMF") requested to clarify its inflation rates several times.

On November 23, 2010, the Argentine government began consulting with the IMF for technical assistance in order to prepare a new national consumer price index with the aim of modernizing the current statistical system. During the first quarter of 2011, a team from the IMF started working in conjunction with the INDEC in order to create such an index. Notwithstanding such efforts, reports published by the IMF stated that its staff also used alternative measures of inflation for macroeconomic surveillance, including data produced by private sources, and such measures have shown inflation rates that are considerably higher than those issued by the INDEC since 2007. Consequently, the IMF called on Argentina to adopt measures to improve the quality of used data by the INDEC. In a meeting held on February 1, 2013, the Executive Board of the IMF emphasized that the progress in implementing remedial measures since September 2012 has not been sufficient. As a result, the IMF issued a declaration of censure against Argentina in connection with the breach of its related obligations to the IMF and called on Argentina to adopt remedial measures to address the inaccuracy of inflation and GDP data without further delay.

In order to address the quality of official data, a new consumer price index denominated Urban National Consumer's Price Index ("Índice de Precios al Consumidor Nacional urbano" or the "IPCNU"), was enacted on February 13, 2014. For the year ended December 31, 2014 the IPCNU was 23.9%. The IPCNU represents the first national indicator to

measure changes in prices of household goods for final consumption. While the previous price index only measured inflation in the Greater Buenos Aires, the IPCNu is calculated by measuring prices of goods across the entire urban population of the 23 provinces of Argentina and the City of Buenos Aires. The IMF declared that it was going to review later in 2014 Argentina's reports on progress in revising its inflation and gross domestic product statistics. However, as of the date of this annual report, it is still being reviewed by the IMF. In addition, in February 2014, the INDEC released a new GDP index for 2013, equal to 3.0%, which differs from the GDP index originally released by the INDEC for the same period which was 5.5%. In December 15, 2014, the IMF recognized the progress of Argentine authorities to remedy the inaccurate provision of data, but has delayed the definitive evaluation of the new index. If the IMF finds that the methodology of INDEC for calculating a new national consumer price index or GDP is inaccurate, or concludes that its methodology should be adjusted, that could result in financial and economic hazards for Argentina, including lack of financing from such organization. If these measures are adopted, the Argentine economy could suffer adverse effects, either by limiting access to international financial markets or increasing the financing cost associated therewith, which in turn would adversely affect our financial condition and results of operations.

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

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

Argentina's 2001 default and its failure to fully restructure its sovereign debt and negotiate with the holdout creditors has limited and may continue to limit Argentina's ability to access international capital markets. In 2005, Argentina completed the restructuring of a substantial portion of its indebtedness and settled all of its debt with the IMF. Additionally, in June 2010, Argentina completed the renegotiation of approximately 67% of the defaulted bonds that were not swapped in the 2005 restructuring. As a result of the 2005 and 2010 debt swaps, Argentina has restructured approximately 92.4% of its defaulted debt that was eligible for restructuring. Holdout creditors that declined to participate in the exchanges commenced numerous lawsuits against Argentina in several countries, including the United States, Italy, Germany, and Japan. Additionally, on May 29, 2014, the Argentine government and representatives of the Paris Club creditors reached an agreement to clear Argentina's debt due to the Paris Club creditors, in arrears, in the total amount of US\$9.7 billion as of April 30, 2014.

In related cases brought before the U.S. District Court for the Southern District of New York (the "District Court"), the plaintiffs argued that allowing Argentina to make payments under the new bonds issued pursuant to the debt swaps while it remained in default on its pre-2002 bonds violates the pari passu clause in the original bonds and entitles the plaintiffs to injunctive relief barring Argentina from making payments on the new bonds without making comparable payments on the original bonds. In late October 2012, the U.S. Court of Appeals for the Second Circuit in New York affirmed the District Court's ruling that the pari passu clause in the pre-2002 bonds prevents Argentina from making payments unless it makes ratable payments to the holdout creditors at the same time. On November 21, 2012, the District Court specified that ratable payments to the holdout creditors would be the full amount owed on the bonds (including interest) and ordered Argentina to pay approximately US\$1.3 billion plus interest owed to the holdout creditors' party to such proceedings.

On appeal, the U.S. Court of Appeals for the Second Circuit ordered Argentina to submit a payment plan proposal for the holdout creditors, which Argentina did on March 29, 2013. On August 23, 2013, the U.S. Court of Appeals for the Second Circuit rejected Argentina's payment proposal and affirmed the District Court's November 21, 2012 injunctions (the "Injunction"). However, in the same ruling, the U.S. Court of Appeals for the Second Circuit stayed the enforcement of the injunctions pending the resolution by the U.S. Supreme Court of any timely petition for a writ of certiorari. In this regard, Argentina filed a petition for a writ of certiorari on June 24, 2013, which was denied as premature. Later, on February 18, 2014, Argentina and certain holders of the new bonds timely filed petitions for a writ of certiorari. On June 16, 2014, the U.S. Supreme Court denied Argentina's petition for a writ of certiorari in connection therewith and, subsequently, on June 18, 2014, the U.S. Court of Appeals for the Second Circuit lifted its stay on the District Court's Injunction. Separately, on June 16, 2014, the U.S. Supreme Court affirmed a District Court ruling to compel discovery from certain financial institutions concerning, among other things, Argentina's assets.

On June 23, 2014, the District Court appointed a special master to mediate settlement negotiations between Argentina and the litigating bondholders. On June 26, 2014, the District Court denied Argentina's request for a further stay of the Injunction. In addition, on or about June 27, 2014, Argentina transferred to The Bank of New York Mellon, in its capacity as trustee, amounts due June 30, 2014 in respect of certain of its restructured bonds. The District Court, however, prohibited such payment and ordered Argentina and the holders of its non-restructured bonds to agree on a payment schedule. Following negotiations between Argentina and the litigating bondholders, Argentina and such bondholders failed to reach an agreement in respect of its defaulted debt. By July 30, 2014, the end of the grace period provided under Argentina's relevant restructured bonds for the payment of debt service thereunder, Argentina and the holdout creditors had not arrived on an agreement and The Bank of New York Mellon complied with the order of the District Court to not deliver the funds previously deposited by Argentina for payment to the holders of the restructured bonds under foreign law. While Argentina asserted that it complied with its obligation to the holders of the restructured bonds by making such deposit, and that the indenture trustee had the obligation to deliver such payment, on such date Standard & Poor's Rating Services downgraded Argentina's foreign currency credit rating to "selective default", or "SD", while on July 31, 2014, Fitch Ratings Inc. downgraded Argentina's foreign currency issuer default rating to "restricted default", or "RD".

On September 11, 2014, the Argentine Congress enacted Law No.26,984, with the purpose of implementing legal mechanisms to allow restructured bondholders to collect payments under such bonds. Law No.26,984 established a new account in the name of Nación Fideicomisos S.A. with the Central Bank in order to make payments to restructured bondholders. Furthermore, Law No.26,984 set forth that the executive branch could implement an exchange of restructured bonds for Argentine law-governed bonds and for French law-governed bonds. As of the date of this annual report, no such mechanism has been implemented by the Argentine government. Separately, during August 2014 the Central Bank revoked The Bank of New York Mellon's authorization to operate in Argentina. In connection with these and other actions taken by the Argentine government, the District Court held Argentina in contempt on September 29, 2014.

The District Court authorized limited exceptions to the Injunction allowing certain custodians of Argentine law-governed bonds to process payments in August 2014, September 2014 and December 2014. Payments on the remaining restructured bonds have not been processed as a consequence of the Injunction and various restructured bondholders have been seeking the release of such payments in court. As of the date of this annual report, the District Court has not authorized any other such releases or payments.

On January 2, 2015, Argentina deposited, for the benefit of the restructured bondholders, approximately US\$1,000 million corresponding to the payment dated December 31, 2014. In addition, the Argentine government deposited US\$539 million in Nación Fideicomisos S.A. to service interest of certain restructured bonds under foreign legislation and another amount reserved for payment to the holdouts, frozen as of the date of this annual report, as ordered by the District Court, in the accounts of Bank of New York in the Central Bank. At the date of this annual report, the

consequences of the passage of the new sovereign payments law or the development and the effects of the NML Capital case could have on our business and operations are not clear.

The Argentine government successfully appealed such decision and on August 10, 2015, the U.S. Court of Appeals for the Second Circuit stated that the District Court had improperly expanded a class of bondholders who were seeking repayment following the 2002 default, stating that the District Court must return to a narrower definition of class, limited to those who have continuously held the eight series of bonds in question and to hold a hearing to determine the proper amount of damages.

In addition, the District Court stated in another ruling that it considers all Argentine government assets in the United States, except for diplomatic and military, as commercial assets which NML Capital could try to seize. The decision have allowed the found to request for the attachment of these assets, which have fallen specially on the Central Bank, Banco de la Nación Argentina, bank accounts of certain embassies, the Aquarius SAC-D satellite and the Frigate Libertad, among other assets. Meanwhile, Argentina's lawyers and officials believe and argue that there are only diplomatic assets protected by sovereign immunity. In this context, the District Court ordered Argentina to provide information about assets in the United States within ten days and said that if the country holds assets which have no diplomatic or military purposes; they can be attached being considered "commercial use".

On August 31, 2015 the Argentine government won an appeals court ruling. Such ruling denied a motion to dismiss for lack of subject matter jurisdiction filed by the Central Bank, stating that the District Court erred in: (1) imputing the Argentine government's waiver of sovereign immunity to the Central Bank based on an alter ego theory; and (2) applying the commercial activity exception to Central Bank's use of its account with the Federal Reserve Bank of New York. Accordingly, the U.S. Court of Appeals for the Second Circuit reversed the District Court's order of September 26, 2013, and remands the cause with instructions to dismiss the complaint on sovereign immunity grounds.

Also, on September 16, 2015, the Argentine government won an additional appeals court ruling, which noted that defining a precise class to which Argentina owes damages for refusing to pay bondholders and calculating those damages have been "exasperating tasks," stating that "Judge Thomas P. Griesa was making it too easy for some plaintiffs by creating a class including bondholders who were not the original purchasers of the bonds", while objective criteria may be necessary to define an ascertainable class, it cannot be the case that any objective criterion will do."

The continuation and outcome of this litigation may continue to prevent Argentina from obtaining favorable terms or interest rates when accessing international capital markets. Litigation initiated by holdout creditors or other parties may result in material judgments against the Argentine government and could result in attachments of, or injunctions relating to, Argentina's assets, which could have a material adverse effect on the country's economy and affect our ability to access international financing. In addition, litigation initiated by holdouts could eventually bring Argentina to be considered in default of its obligations and cause acceleration of the existing exchange debt due to cross default clauses which could have a material adverse effect on the on the country's economy, and consequently, our business, financial condition and results of operations.

Argentina is subject to litigation by foreign shareholders of Argentine companies and holders of Argentina's defaulted bonds, which have resulted and may result in adverse judgments or injunctions against Argentina's assets and limit its financial resources.

Foreign shareholders of several Argentine companies, including public utilities, and bondholders that did not participate in the exchange offers described above, have filed claims in excess of US\$20 billion in the aggregate with the International Centre for Settlement of Investment Disputes (the "ICSID") alleging that the emergency measures adopted by the government differ from the just and equal treatment standards set forth in several bilateral investment treaties to which Argentina is a party. During 2013, Argentina agreed to settle five separate investment treaty arbitration claims at a cost of around US\$500 million. As of December 31, 2014, there were ICSID judgments outstanding against Argentina for approximately US\$64 million, plus interest and expenses. On April 9, 2015, the ICSID held that Argentina must pay US\$405 million in damages for prejudices suffered in relation to the termination of the Aguas Argentinas S.A. water and waste water management concession contract in the Buenos Aires metropolitan area. Litigation, as well as ICSID and UNCITRAL claims against the Argentine government, have resulted in material judgments and may result in new material judgments against the government, and could result in attachments of or injunctions relating to assets of Argentina that the government intended for other uses. As a result, the Argentine government may not have all the necessary financial resources to honor its obligations, implement reforms and foster growth, which could have a material adverse effect on the country's economy, and consequently, our business, financial condition and results of operations.

The amendment of the Central Bank's Charter and the Convertibility Law may adversely affect the Argentine economy.

On March 22, 2012, the Argentine Congress passed Law No.26,739, which amended the charter of the Central Bank and Law No.23,298 (the "Convertibility Law"). See "Argentina's ability to obtain financing from international markets is limited, which may impair its ability to implement reforms and foster economic growth" above. This new law amends the objectives of the Central Bank (established in its charter) and removes certain provisions previously in force. Pursuant to the amendment, the Central Bank focuses on promoting monetary and financial stability as well as development with social equity.

A key component of the amendment of the Central Bank charter relates to the use of international reserves. Pursuant to this amendment, the Central Bank reserves may be made available to the government for the repayment of debt or to finance public expenses. During 2013, the currency reserves in U.S. Dollars held by the Argentine government in the Central Bank decreased significantly, from US\$43.3 billion in 2012 to US\$30.6 billion in 2013, while during 2014 the reserves increased slightly to US\$31.4 billion as of December 31, 2014. The Central Bank's stock of foreign currency reserves was US\$33.9 billion as of June 30, 2015 and after the payment of the sovereign bond, BODEN 15, on October 3, 2015, the stock of foreign currency reserves was US\$ 27.7 billion. This use of the Central Bank reserves for expanded purposes by the Argentine government may result in Argentina being more vulnerable to inflation or external shocks, affecting the country's capacity to overcome the effects of an external crisis.

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.

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

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

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

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

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

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

Additionally, on December 19, 2012, the Argentine government issued Decree N° 2552/12, which, ordered the expropriation of the "Predio Rural de Palermo." However, on January 4, 2013, the Federal Civil and Commercial Chamber granted an injunction that momentarily blocked the enforceability of Decree N° 2,552/2012; notwithstanding the foregoing on June 1, 2015, the injunction was released. On June 2, 2015, this decision was appealed, and as a result the aforementioned injunction is still effective and the effects of the Decree N° 2552/12 remain blocked as of the date hereof. The Argentine government filed a motion to revoke the injunction which was rejected by the Federal Civil and Commercial Chamber and as a consequence the Argentine government filed an extraordinary motion with the Supreme Court, which as of the date of this annual report has not been resolved. The Decree N° 2552/12 may indirectly affect IRSA's investment in Entertainment Holding S.A. ("EHSA").

Furthermore, on May 18, 2015, IRSA was notified that the Agencia de Administración de Bienes del Estado (“AABE”), revoked the concession agreement granted to its subsidiary Arcos del Gourmet S.A, through Resolution N° 170/2014. On June 2, 2015, IRSA filed before the AABE a request to declare the notification void, as certain formal proceedings required under Argentine law have not been complied by the AABE. Furthermore, IRSA intends to file shortly an administrative appeal in order to request the dismissal of the revocation of the agreement. As of the date of this annual report, the “Distrito Arcos” shopping center continues to operate normally.

There are other recent examples of government intervention. In December 2012 and August 2013, the Argentine Congress established new regulations relating to domestic capital markets. The new regulations generally provide for increased intervention in the capital markets by the government, authorizing, for example, the CNV to appoint observers with the ability to veto the decisions of the board of directors of companies admitted to the public offering regime under certain circumstances and suspend the board of directors for a period of up to 180 days.

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

Argentine presidential, congressional and certain municipal and state government elections are to be held in October 2015. Uncertainty resulting from the election campaigns regarding the results of the elections, or as a result of uncertainty as to whether the new Argentine government will implement changes in policy or regulation, may adversely affect the Argentine economy. The President of Argentina and its Congress each have considerable power to determine governmental policies and actions that relate to the Argentine economy and, consequently, may affect our results of operations or financial condition. We can offer no assurances that the policies that may be implemented by the Argentine government after such elections will not adversely affect our business, results of operations or financial condition.

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

In the past, the Argentine government has passed laws, regulations and decrees requiring companies in the private sector to maintain minimum wage levels and provide specified benefits to employees and may do so again in the future. In the aftermath of the Argentine economic crisis, employers both in the public and private sectors experienced significant pressure from their employees and labor organizations to increase wages and to provide additional employee benefits. In August 2012, the Argentine government established a 25% increase in minimum monthly salary to Ps.2,875, effective as of February 2013. The Argentine government increased the minimum salary to Ps.3,300 in August 2013, to Ps.3,600 in January 2014, to Ps.4,400 in September 2014, to Ps.4,716 in January 2015, to Ps.5,588 in August 2015 and to Ps.6,060 from January 2016. Due to ongoing high levels of inflation, employers in both the public and private sectors continue to experience significant pressure from unions and their employees to increase salaries. During the year ended December 31, 2014, various unions have agreed with employers' associations on salary increases between 25% and 30%. 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.

Property values in Argentina could decline significantly.

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

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

According to current Argentine practices the Argentine government may impose restrictions on the exchange of Argentine currency into foreign currencies and on the remittance to foreign investors of proceeds from investments in Argentina in circumstances where a serious imbalance develops in Argentina's balance of payments or where there are reasons to foresee such an imbalance. Beginning in December 2001, the Argentine government implemented a number of monetary and foreign exchange control measures that included restrictions on the free disposition of funds deposited with banks and on the transfer of funds abroad without prior approval by the Central Bank, some of which are still in effect. Among the restrictions that are still in effect are those relating to the repatriation of certain funds collected in Argentina by non-Argentine residents.

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 company's 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.

Although the transfer of funds abroad by local companies in order to pay annual dividends only to foreign shareholders, based on approved and fully audited financial statements, does not require formal approval by the Central Bank, the recent decrease in availability of U.S. Dollars in Argentina has led the Argentine government to impose informal restrictions on certain local companies and individuals for purchasing foreign currency. These restrictions on foreign currency purchases started in October 2011 and tightened thereafter through the date of this annual report. As a result of these informal restrictions, local residents and companies may be prevented from purchasing foreign currency through the foreign exchange market ("Mercado Único y Libre de Cambios" or "MULC") for the purpose of making payments abroad, such as dividends, capital reductions, and payment for importation of goods and services. For example, local banks may request, even when not expressly required by any regulation, the prior opinion of the Central Bank before executing any specific foreign exchange transaction. In addition, other exchange controls could impair or prevent the conversion of anticipated dividends, distributions or the proceeds from any sale of equity holdings in Argentina, as the case may be, from Argentine Pesos into U.S. Dollars and the remittance of the U.S. Dollars abroad.

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

Also, if payments cannot be made in U.S. Dollars abroad, the repatriation of any funds collected by foreign investors in Argentine Pesos in Argentina may be subject to restrictions. From October 28, 2011, in order for a non-Argentine investor to be granted access to the MULC to purchase foreign currency with Argentine Pesos received in Argentina as a result of a stock sale, capital reduction or liquidation of an Argentine company, it is a requirement that the funds originally used for such investment, disbursement or capital contribution, as applicable, were settled through the MULC. This requirement applies only to capital contributions to local companies or foreign currency purchases of the stock of an Argentine company made from October 28, 2011 that qualify as "foreign direct investments" (i.e., represent at least 10% of the Argentine company's capital stock). In the case of equity positions below the 10% threshold, repatriation is subject to a monthly threshold of US\$0.5 million. Transfers in excess of that monthly threshold are subject to prior approval by the Central Bank. The Argentine government could adopt further restrictive measures in the future. If that were the case, a foreign shareholder, such as ourselves, may be prevented from converting the Argentine Pesos it receives in Argentina into U.S. Dollars. If the exchange rate fluctuates significantly during a time when we cannot convert the foreign currency, we may lose some or all of the value of the dividend distribution or sale proceeds.

These restrictions and requirements could adversely affect our financial condition and the results of our operations.

The Rural Land Law and its application.

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

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

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

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. In 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. In October 2011, new exchange controls measures that restrict foreign exchange inflows and outflows of capital were implemented, including, establishing as a requirement for the repatriation of the direct investment of non-residents (purchase of shares of local companies and real estate), the inflow of foreign currency and its settlement in the MULC). This measure increases the cost of obtaining foreign funds and limits access to such financing.

Additionally, on July 12, 2012, the Central Bank issued Communication "A" 5318, which among others suspended the access to MULC for residents for external assets without a specific purpose.

Through resolution No.3210/2011 of the AFIP and the Communications "A" 5239, 5240, 5242 and 5245 and its amendments of the Central Bank, the "Consultation of Exchange Operations Programme", was established, a system by which an assessment is made at the time of each transaction, in order to allow for acquiring U.S. Dollars for tourism purposes. The system analyzes the transaction for consistency with each currency buyer's tax information, and validates or invalidates the transaction.

In January 2014, the Central Bank established by Communication "A" 5526 that resident individuals in the country will be able to access the local exchange market for purchases made in line with the "buy for the possession of foreign currency in the country" concept according to their income declared to the AFIP and other quantitative parameters established in the framework of exchange rate policy. In this sense, the AFIP established through its General Resolution No. 3583/2014 a parameter of 20% of the monthly income of the taxpayer validating the exchange transaction, with a minimum amount of monthly income of two minimum mobile wage and a monthly cap of US\$2,000. The purchase amount that individuals can access under this provision can be found through the "Exchange Operations Consultation Program", available on the corporate website of the AFIP.

Additionally, on May 21, 2015, pursuant to Communication "A" 5757, the Central Bank amended Communication "A" 5526, which regulates residents' access to the MULC for the acquisition of foreign currency for their application to specific uses and/or purposes in local assets. The amendment permits simultaneous access to the MULC for the acquisition of foreign currency for its deposit in local financial institutions up to an amount agreed with the MULC for a term no higher than 270 calendar days, deriving from the issuance of new debt securities with public offering issued by local governments and/or residents of the non-financial private sector. Such funds can only be allocated for their deposit in local financial institutions as a fixed-term deposit, or in a special account in foreign currency, which can be withdrawn only for its settlement through the MULC. These funds are exempt from the mandatory deposit of 30% imposed by Decree No.616/2005. At least 80% of residents' foreign currency demands of residents must be covered by the funds obtained from this mechanism for specific purposes in local assets.

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 "Exchange Rates and Exchange Controls".

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. The international scenario shows contradictory signals of global growth, as well as high financial and exchange uncertainty. Most emerging economies have been affected by the change in the U.S. monetary policy, resulting in the sharp unwinding of speculative asset positions, depreciations and increased volatility in the value of their currencies and higher interest rates. The general appreciation of the U.S. Dollar resulting from a more restrictive U.S. monetary policy contributed to the fall of the international price of raw materials, increasing the difficulties of emerging countries which are exporters of these products. There is global uncertainty about the degree of economic recovery in the United States, with no substantial positive signals from other developed countries and an increased risk of a general deceleration in developing countries, specifically China.

Moreover, the recent challenges faced by the European Union to stabilize certain of its member economies, such as Greece, have had international implications affecting the stability of global financial markets, which has hindered economies worldwide. The Eurozone finance ministers, at a meeting held in August 2015, agreed a third bailout deal for Greece, which required the approval of several countries such as Germany, one of its main creditors.

Although economic conditions vary from country to country, investors' perception of the events occurring in one country may substantially affect capital flows into other countries. International investors' reactions to events occurring in one market sometimes demonstrate a "contagion" effect in which an entire region or class of investment is disfavored by international investors. Argentina could be adversely affected by negative economic or financial developments in other countries, which in turn may have an adverse effect on our financial condition and results of operations. Lower capital inflows and declining securities prices negatively affect the real economy of a country through higher interest rates or currency volatility. The Argentine economy was adversely impacted by the political and economic events that occurred in several emerging economies in the 1990s, including those in Mexico in 1994, the collapse of several Asian economies between 1997 and 1998, the economic crisis in Russia in 1998 and the Brazilian devaluation in January 1999.

In addition, Argentina is also affected by the economic conditions of its major trade partner, Brazil, which started to devalue its currency in early February 2015. The Real devalued against the U.S. Dollars by approximately 46% from January 2015 to September 2015, causing the Real to suffer the steepest depreciation in over a decade in its attempt to increase exports. In addition, during September 2015, Standard & Poor's downgraded Brazil's credit rating to BB-plus and during October 2015, Fitch Ratings downgraded Brazil's credit rating to 'BBB'. Moreover, Argentina may also be affected by other countries that have influence over world economic cycles, such as the United States or China. Particularly, China has recently devaluated the Yuan, which has adversely affected companies with a substantial exposure to that country.

If interest rates rise significantly in developed economies, including the United States, Argentina and other emerging market economies could find it more difficult and expensive to borrow capital and refinance existing debt, which would negatively affect their economic growth. In addition, if these developing countries, which are also Argentina's trade partners, fall into a recession; the Argentine economy would be affected by a decrease in exports. All of these factors would have a negative impact on us, our business, operations, financial condition and prospects.

The effect of global economic conditions on Argentina could cause a reduction in exports and foreign direct investment, and a decline in national tax revenues and the inability to access to the international capital markets, which could adversely affect our business and results of operations.

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

High commodity prices have contributed significantly to the increase in Argentine exports since the third quarter of 2002 as well as in governmental revenues from export taxes (withholdings). However, this reliance on the export of certain commodities, such as soy, has made the Argentine economy more vulnerable to fluctuations in their prices.

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

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

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

As a result of prolonged recession, and the forced conversion into Pesos and subsequent freeze of natural gas and electricity tariffs in Argentina, there has been a lack of investment in natural gas and electricity supply and transport capacity in Argentina in recent years. At the same time, 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. In particular, Argentina has been importing natural gas in order to compensate the shortages in local production. In order to pay for natural gas imports, the Argentine government has frequently used the Central Bank reserves due to absence of incoming currencies from investment. If the government is unable to pay for the natural gas imported in order to produce electricity, business and industries may be affected.

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

As a first step of these measures, subsidies on energy tariffs were withdrawn to industries and high income consumers. Additionally, since 2011, a series of rate increases and the reduction of subsidies mainly among industries and high-income consumers were implemented. As a result, energy costs increased significantly, which could substantially and adversely affect the Argentine economy, as well as our business operations and results of our transaction.

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

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

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

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

Risks Relating to Brazil

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

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

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

- economic and social instability;
- increase in interest rates;
- exchange controls and restrictions on remittances abroad;
- restrictions and taxes on agricultural exports;
- exchange rate fluctuations;
- inflation;
- volatility and liquidity in domestic capital and credit markets;
- expansion or contraction of the Brazilian economy, as measured by GDP growth rates;
- allegations of corruption against political parties, elected officials or other public officials, including allegations made in relation to the Lava Jato investigation;
- government policies related to our sector;
- fiscal or monetary policy and amendments to tax legislation; and
- other political, social and economic developments in or affecting Brazil.

Historically, the Brazilian government has frequently intervened in the Brazilian economy and has occasionally made significant changes in economic policies and regulations, including, among others, the imposition of a tax on foreign

capital entering Brazil (IOF tax), changes in monetary, fiscal and tax policies, currency devaluations, capital controls and limits on imports. The administration is currently facing domestic pressure to retreat from the current macroeconomic policies in an attempt to achieve higher rates of economic growth. In addition, the federal government is proposing the creation of a tax on financial transactions, including wire transfers, (the so-called "CPMF") in order to improve the fiscal situation of the country. We cannot predict which policies will be adopted by the Brazilian government and whether these policies will negatively affect the economy or our business or financial performance.

The Brazilian economy has been experiencing a slowdown – GDP growth rates were 7.5%, 3.9%, 1.8%, 2.7%, and 0.1% in 2010, 2011, 2012, 2013 and 2014, respectively and GDP decreased 1.9% in the first six months of 2015. Inflation, unemployment and interest rates have increased more recently and the Brazilian Real has weakened significantly in comparison to the U.S. Dollar. The market expectations for the years 2015 and 2016 is that the Brazilian economy will continue to slow down and GDP will decrease. Our results of operations and financial condition may be adversely affected by the economic conditions in Brazil.

In addition to the recent economic crisis, protests, strikes and corruption scandals, including the "Lava Jato" investigation, has led to a fall in confidence and a political crisis. There is strong popular pressure and several legal and administrative proceedings for the impeachment of the Brazilian President and/or revocation of the mandates or resignation of the Brazilian President and/or the Head of the House of Representatives, which have led to uncertainties. The political crisis could worsen the economic conditions in Brazil, which may adversely affect our results of operations and financial conditions.

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

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

Brazil has in the past experienced significantly high rates of inflation. As a result, the Brazilian government adopted monetary policies that resulted in Brazilian interest rates being among the highest in the world. The Brazilian Central Bank's Monetary Policy Committee (Comitê de Política Monetária do Banco Central, or "COPOM", as per its acronym in Portuguese), establishes an official interest rate target for the Brazilian financial system based on the level of economic growth, inflation rate and other economic indicators in Brazil. Between 2004 and 2010, the official Brazilian interest rate varied from 19.75% to 8.75% per year. In response to an increase in inflation in 2010, the Brazilian government increased the official Brazilian interest rate, the SELIC rate, which was 10.75% per year on December 31, 2010. The SELIC rate has increased since then and, as of June 30, 2015, it was 13.75% per year. The inflation rates, as measured by the General Market Price Index (Índice Geral de Preços-Mercado or "IGP-M", as per its acronym in Portuguese), and calculated by Fundação Getúlio Vargas, or "FGV", were 7.8% in 2012, 5.5% in 2013, and 3.67% in 2014. Cumulative inflation in the first six months of 2015, calculated by the same index, was 4.33%.

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

An increase in interest rates may have a significant adverse effect on us. In addition, as of June 30, 2015, certain of our loans were subject to interest rate fluctuations such as the Brazilian long-term interest rate (Taxa de Juros de Longo Prazo or “TJLP”, as per its acronym in Portuguese), and the interbank deposit rate (Certificados de Depósitos Interbancários or “CDI”, as per its acronym in Portuguese). In the event of an abrupt increase in interest rates, our ability to comply with our financial obligations may be materially and adversely affected.

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

Brazil's rate of inflation and the government's actions to combat inflation have also affected the exchange rate between the Real and the U.S. Dollar. As a result of inflationary pressures, the Brazilian currency has been devalued periodically during the last four decades. Throughout this period, the Brazilian federal government has implemented various economic plans and utilized a number of exchange rate policies, including sudden devaluations, periodic devaluations (during which the frequency of adjustments has ranged from daily to monthly), floating exchange rate systems, exchange controls and dual exchange rate markets. During 2009 and 2010 the Real appreciated 24.9% and 4.6%, respectively, against the U.S. Dollar. As a contrast, during 2012 and 2013 the Real depreciated 13.3%, 9.6% and 15.5%, respectively, against the U.S. Dollar. In February, 2014, Brazilian Government started to devalue its currency, causing the Real to suffer the steepest depreciation in over a decade in its attempt to increase exports. Between January 2015 and September 2015 the Real depreciated 46%. There can be no assurance that the rate of exchange between the Real and the U.S. Dollar will not fluctuate significantly in the future. In the event of a devaluation of the Real, the financial condition and results of operations of our Brazilian subsidiary could be adversely affected. In addition, during September 2015, Standard & Poor's downgraded Brazil's credit rating to BB-plus and during October 2015, Fitch Ratings downgraded Brazil's credit rating to 'BBB-', which triggers funds that target investment-grade countries to sell its holdings in Brazil. As of October 2015, the Bovespa has dropped 40% in U.S. Dollars terms during the year.

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

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

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

In addition, the Brazilian economy is affected by international economic and market conditions generally, especially economic conditions in the United States. Share prices on BM&FBOVESPA, for example, have historically been

sensitive to fluctuations in U.S. interest rates and the behavior of the major U.S. stock indexes. An increase in the interest rates in other countries, especially the United States, may reduce global liquidity and investors' interest in the Brazilian capital markets, adversely affecting the price of our common shares.

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

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

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

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

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

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

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

Risks Relating to Our Region

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

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

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

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

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

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

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

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

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

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

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

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

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

Most countries where we operate or intend to operate, historically, experienced high inflation rates. Inflation and some measures implemented to curb inflation have had significant negative effects on the economies of latin american countries. Governmental actions taken in an effort to curb inflation, coupled with speculation about possible future actions, have contributed to economic uncertainty at times in most latin american countries. The countries where we operate or intend to operate may experience high levels of inflation in the future that could lead to further government

intervention in the economy, including the introduction of government policies that could adversely affect our results of operations. In addition, if any of these countries experience high rates of inflation, we may not be able to adjust the price of our services sufficiently to offset the effects of inflation on our cost structures. A high inflation environment would also have negative effects on the level of economic activity and employment and adversely affect our business and results of operations.

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

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

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

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

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

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

Risks Relating to Our Business.

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

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

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

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

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

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

According to the United States Department of Agriculture (“USDA”) estimates, Argentina’s crops output (wheat, corn and soybean) for the 2015/2016 season are expected to drop by 8,3 million tons as compared to the previous cycle. They forecast a reduction in the planted area, and a general decrease in the expected yields in comparison with the 2014/2015 campaign, which shown all-time high yields for corn and soybean. The estimated production of soybean is supposed to reach 57 million tons, the wheat production 10.5 million tons and the corn production 24 million tons.

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

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

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

Our cattle are subject to diseases.

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

outbreaks of cattle diseases will not occur. A future outbreak of diseases among our cattle herds may adversely affect our cattle and milk sales which could adversely affect our operating results and financial condition.

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

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

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

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

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

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

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

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

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

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

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

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

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

We experience substantial worldwide competition in each of our markets in which we operate, and in many of our product lines. The market for cereals, oil seeds and by-products is highly competitive and also sensitive to changes in industry capacity, producer inventories and cyclical changes in the world's economies, any of which may significantly affect the selling prices of our products and thereby our profitability. Argentina is more competitive in the oilseed market than in the market for cereals. Due to the fact that many of our products are agricultural commodities, they compete in the international markets almost exclusively on the basis of price. Many other producers of these products

are larger than us, and have greater financial and other resources. Moreover, many other producers receive subsidies from their respective countries while we do not receive any such subsidies from the Argentine government. These subsidies may allow producers from other countries to produce at lower costs than us and/or endure periods of low prices and operating losses for longer periods than we can. Any increased competitive pressure with respect to our products could materially and adversely affect our financial condition and results of operations.

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

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

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

Our cattle sales are diversified, notwithstanding the aforementioned, we are and will continue to be significantly dependent on a number of third party relationships, mainly with our customers for crop and milk sales. During the fiscal year 2015, we sold our products to approximately 300 customers. Sales of agricultural products to our ten largest customers represented approximately 48% of our net sales for the fiscal year ended June 30, 2015. During fiscal year 2015, our biggest three customers were ETH Biotecnología, Mastellone Hnos. S.A. and Molinos Río de la Plata S.A., which represented, in the aggregate, approximately 27% of our net sales in agricultural products, while the remaining seven customers in the aggregate represented approximately 21% of our net sales in the fiscal year 2015.

In addition, we currently sell our entire raw milk production to one customer in Argentina, Mastellone Hnos. S.A. For the year ended June 30, 2015, these sales represented approximately 3% of our agricultural business revenues. We cannot assure you that this customer will continue to purchase our entire raw milk production in the future or that, if it fails to do so, we could enter into satisfactory sale arrangements with new purchasers in the future.

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

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

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

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

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

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

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

As of June 30, 2015, Mr. Eduardo S. Elsztain, is the beneficial owner of 37.4% (on a fully diluted basis) of our common shares. As a result of his significant influence over us, Mr. Elsztain, by virtue of his position in IFISA, has been able to elect a majority of the members of our board of directors, direct our management and determine the result of substantially all resolutions that require shareholders' approval, including fundamental corporate transactions and our payment of dividends by us.

The interests of our principal shareholder and management may differ from, and could conflict with, those of our other shareholders. Pursuant to a consulting agreement we pay a management fee equal to 10% of our annual net income to Consultores Asset Management S.A., formerly known as Dolphin Fund Management S.A. ("Consultores Asset Management"), a company whose capital stock is 85% owned by Mr. Eduardo S. Elsztain and the remaining by Saúl Zang, our vice-chairman. This performance based fee could be viewed as an incentive for Consultores Asset Management to favor riskier or more speculative investments than would otherwise be the case. In addition, as of June 30, 2015 Mr. Elsztain was the beneficial owner, due to his indirect shareholding through us of 64.3% of IRSA (without considering treasury shares), an Argentine company that currently owns approximately 95.8% of the common shares of its subsidiary IRSA Commercial Properties whose chief executive officer is Mr. Alejandro G. Elsztain, Mr. Eduardo S. Elsztain's brother. We cannot assure you that our principal shareholders will not cause us to forego business opportunities that their affiliates may pursue or to pursue other opportunities that may not be in our interest, all of which may adversely affect our business, results of operations and financial condition and the value of our common shares and the ADSs

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

Our investment in IRSA is exposed to the common risks generally inherent in investments in the real estate industry, many of which are outside IRSA's control. Any of these risks could adversely and materially affect IRSA's businesses, financial position and/or results of operations. Any available returns on capital expenditures associated with real estate are dependent upon sales volumes and/or revenues from leases and the expenses incurred. In addition, there are other factors that may adversely affect the performance and the value of a property, including the local economic conditions prevailing in the area where the property is located, macroeconomic conditions in Argentina and in the rest of the world, competition from other companies engaged in real estate development, IRSA's ability to find lessees, non-performance by lessees and/or lease terminations, changes in legislation and in governmental regulations (including those governing the use of the properties, urban planning and real estate taxes), variations in interest rates (including the risk of an increase in interest rates causing a reduction in the sales of lots in properties intended for

residential development) and the availability of funding. In addition, and given the relative illiquidity of the real estate market, IRSA could be unable to effectively respond to adverse market conditions and/or be compelled to undersell one or more of its properties. Broadly speaking, some significant expenses, such as debt services, real estate taxes and operating and maintenance costs do not fall when there are circumstances that reduce the revenues from an investment.

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

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

We consolidated our financial statements with our subsidiary Brasilagro. Brasilagro was formed on September 23, 2005 to exploit opportunities in the Brazilian agricultural sector. Brasilagro seeks to acquire and develop future properties to produce a diversified range of agricultural products (which may include sugarcane, grains, cotton, forestry products and livestock). Brasilagro is a startup company that has been operating since 2006. As a result, it has a developing business strategy and limited track record. Brasilagro's business strategy may not be successful, and if not successful, Brasilagro may be unable to successfully modify its strategy. Brasilagro's ability to implement its proposed business strategy may be materially and adversely affected by many known and unknown factors. If we were to write-off our investments in Brasilagro, this would likely materially and adversely affect our business. As of June 30, 2015, we owned 39.76% of the outstanding common shares of Brasilagro.

We are subject to extensive environmental regulation.

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

As of June 30, 2015, we owned land reserves extending over more than 352,928 hectares that were purchased at very attractive prices. In addition, we have a concession over 109,014 hectares reserved for future development. We believe that there are technological tools available to improve productivity in these farmlands and, therefore, achieve appreciation in the long term. However, current or future environmental regulations could prevent us from fully developing our land reserves by requiring that we maintain part of this land as natural woodlands not to be used for production purposes.

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

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

We depend on our chairman and senior management.

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

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

The Investment Company Act may limit our future activities.

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

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

In recent years we made a significant investment in the capital stock of IRSA. As of June 30, 2015, we owned approximately 64.3% of IRSA's outstanding shares. Although we believe we are not an "investment company" for purposes of the Investment Company Act, our belief is subject to substantial uncertainty, and we cannot give you any assurance that we would not be determined to be an "investment company" under the Investment Company Act. As a result, the uncertainty regarding our status under the Investment Company Act may adversely affect our ability to offer and sell securities in the United States or to U.S. persons. The U.S. capital markets have historically been an important source of funding for us, and our ability to obtain financing in the future may be adversely affected by a lack of access to the U.S. markets. If an exemption under the Investment Company Act is unavailable to us in the future and we desire to access the U.S. capital markets, our only recourse would be to file an application to the SEC for an exemption from the provisions of the Investment Company Act which is a lengthy and highly uncertain process.

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

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

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

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

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

Risks relating to our investment in IRSA.

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

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

- decline in its lease prices or increases in levels of default by IRSA's tenants due to recessions, increases in interest rates and other factors that IRSA cannot control;
- 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 (considering the limits imposed by the Central Bank to interest rates charged by financial institutions), both of which are highly sensitive to general macroeconomic conditions; and
- fluctuations in occupancy levels in IRSA's shopping centers.

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

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

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

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

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

- changes in law or governmental regulations (such as those governing usage, zoning and real property taxes) or government action such as expropriation, confiscation or revocation of concessions; and
- interpretation by judges of the New Civil Code (in force from August 1, 2015).

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

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

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

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

The loss of significant tenants could adversely affect both the operating revenues and value of IRSA's properties.

If certain of IRSA's most important tenants were to experience financial difficulties, including bankruptcy, insolvency or a general downturn of business, or if it simply failed to retain its patronage, IRSA's business could be adversely affected. IRSA's shopping centers are typically anchored by significant tenants, such as well-known department stores who generate shopping traffic at the mall. Further, certain tenants are also very important for IRSA's office buildings. A decision by such significant tenants to cease operations at IRSA's shopping centers or office buildings, as applicable, could have a material adverse effect on the revenues and profitability of the affected segment and, by extension, on its financial condition and results of operations. In addition, the closing of one or more significant tenants at its shopping centers 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. Moreover, key tenants at one or more properties might terminate their leases as a result of mergers, acquisitions, consolidations, dispositions or bankruptcies. The bankruptcy and/or closure of one or more significant tenants, if IRSA is not able to successfully re-lease the affected space, could have a material adverse effect on both the operating revenues and underlying value of the properties involved.

IRSA may face risks associated with property acquisitions.

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

- IRSA may not be able to obtain financing for acquisitions on favorable terms;
- acquired properties may fail to perform as expected;
- the actual costs of repositioning or redeveloping acquired properties may be higher than our estimates; and
- acquired properties may be located in new markets where we may have limited knowledge and understanding of the local economy, absence of business relationships in the area or unfamiliarity with local governmental and permitting procedures.

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

IRSA's future acquisitions may be unprofitable.

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

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

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

Acquired properties may subject IRSA to unknown liabilities.

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

- 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.

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

A substantial part of IRSA's income is derived from rental income from real property. As a result, IRSA's performance depends on its ability to collect rent from its tenants. IRSA's income and funds for distribution would be negatively affected if a significant number of its tenants or any of its major tenants (as discussed in more detail below):

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

Any of these actions could result in the termination of leases and the loss of rental income attributable to the terminated leases. In addition, IRSA cannot assure you that any tenant whose lease expires will renew that lease or that we will be able to re-lease space on economically advantageous terms or at all. 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.

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

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

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

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

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

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

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

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

Serious illnesses and pandemics, such as the 2009 outbreak of Influenza A H1N1 virus (the "Swine Flu"), 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 disease outbreak or health hazard (such as the Ebola outbreak in recent years) will not occur in the future, or that such an outbreak or health hazard would not significantly affect consumer and/or tourist activity, and that such scenario would not adversely affect our businesses.

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

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

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

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

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

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

In addition, on October 1, 2014, by means of the Law No.26,994, the Argentine Congress sanctioned a new Civil and Commercial Code (the "Civil and Commercial Code") which although wasn't effective as of June 30, 2015, is in force since August 1, 2015, and is currently applicable to our leases. The Civil and Commercial Code derogates Law No. 23,091 on Urban Leases, which amends certain important matters in the current law in connection with leases, such as including a minimum term of two years, and a maximum term of twenty years for residential leases and of fifty years for other purpose leases. Furthermore, the Civil and Commercial Code modifies the regime applicable to contractual provisions relating to foreign currency payment obligations by establishing that foreign currency payment obligations may be discharged in Pesos. This amends the legal framework currently in force, pursuant to which debtors may only discharge their foreign currency payment obligations by making payment in the specific foreign currency agreed upon in their agreements; provided however that the option to discharge in Pesos a foreign currency obligation may be waived by the debtor is still under discussion. Although certain judicial decisions have set forth that this regulation regarding foreign currency can be left aside by the parties to an agreement, it is still too early to determine whether or not this legal provision can be left aside in an agreement as a general rule. Moreover, and regarding the new provisions for leases, there are no judicial decisions on the scope of this amendment and, in particular, in connection with the ability of the parties to any contract to set aside the new provision and enforce such agreements before an Argentine court.

IRSA may be liable for some defects in its buildings.

According to the former Argentine Civil Code, the builder of a real estate development was liable in case of property damage – meaning the damages compromises the structure and/or the defects render the building no longer useful – for a period of 10 years since the possession of the property; on the other hand, the builder was liable for the latent defects, even when those defects did not imply significant property damage. In addition, according to the former Argentine Civil Code, such liability was extended to the technical project manager and the designer of any given project. Furthermore, in certain cases, such as when consumer law was involved, the liability could be extended to the developer. The Civil and Commercial Code, which became effective on August 1, 2015, has similar provisions to

those included in the former Argentine Civil Code and expressly extends the liability for such damage to real estate developers (i.e., any person who sells real estate built by either themselves or by a third party contractor), and any other person involved in the project, in addition to the liability of the builder, the technical project manager and the designer of any given project. According to the Civil and Commercial Code, the warranty period for latent defects expires after three years of the client taking possession of the real estate, and both the builder and the seller are liable for such defects.

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

Eviction proceedings in Argentina are difficult and time consuming.

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

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

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

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

- a decrease in demand for office space;
- a deterioration in the financial condition of our tenants may result in defaults under leases due to bankruptcy, lack of liquidity or for other reasons;
- 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 IRSA's office buildings.

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

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

- abandonment of development opportunities and renovation proposals;
- construction costs of a project may exceed IRSA's original estimates for reasons including raises in interest rates or increases in the costs of materials and labor, making a project unprofitable;
- occupancy rates and rents at newly completed properties may fluctuate depending on a number of factors, including market and economic conditions, resulting in lower than projected rental rates and a corresponding lower return on our investment;
-

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

- the unavailability of favorable financing alternatives in the private and public debt markets;
- sale prices for residential units may be insufficient to cover development costs;
- construction and lease-up may not be completed on schedule, resulting in increased debt service expense and construction costs;
 - impossibility to obtain or delays in obtaining, necessary zoning, land-use, building, occupancy and other required governmental permits and authorizations, or building moratoria and anti-growth legislation;
- significant time lags between the commencement and completion of projects subjects IRSA to greater risks due to fluctuation in the general economy;
- construction may not be completed on schedule because of a number of factors, including weather, labor disruptions, construction delays or delays in receipt of zoning or other regulatory approvals, or man-made or natural disasters (such as fires, hurricanes, earthquakes or floods), resulting in increased debt service expense and construction costs;
- general changes in IRSA's tenants' demand for rental properties; and
- IRSA may incur capital expenditures that could result in considerable time consuming efforts and which may never be completed due to government restrictions.

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

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

IRSA is subject to great competitive pressure.

IRSA's real estate activities (in particular due to the acquisition of the office buildings in December 2014) are highly concentrated in the Buenos Aires metropolitan area, where the real estate market is highly competitive due to a scarcity of properties in sought-after locations and the increasing number of local and international competitors.

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

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

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

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

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

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

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

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

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

IRSA had, and expects to have, substantial liquidity and capital resource requirements to finance its business. As of June 30, 2015, IRSA's consolidated financial debt amounted to Ps.4,973.0 million (including accrued and unpaid interest and deferred financing costs). IRSA cannot assure you that it will have sufficient cash flows and adequate financial capacity in the future.

The fact that it is leveraged may affect its 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 IRSA's ability to refinance existing debt and the availability and cost of credit in the future. In such conditions, access to equity and debt financing options may be restricted and it may be uncertain how long these economic circumstances may last.

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

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

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

The international credit crisis in 2009 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 their future orders of their products and the inability or failure on their part to meet their payment obligations to us, any of which could have a material adverse effect on our results of operations and liquidity. IRSA is subject to risks affecting the hotel industry.

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

In addition, the profitability of our hotels depends on:

- IRSA's ability to form successful relationships with international and local operators to run our hotels;
- changes in tourism and travel trends, including seasonal changes and changes due to pandemic outbreaks, such as the A H1N1 virus, a potential ebola outbreak, among others, or weather phenomenas or other natural events, such as the eruption of the Puyehué and the Calbuco volcano in June 2011 and April 2015, respectively;
- affluence of tourists, which can be affected by a slowdown in global economy; and
- taxes and governmental regulations affecting wages, prices, interest rates, construction procedures and costs.

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

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

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

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

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

In recent years, retail sales by means of the Internet have grown significantly in Argentina, even though the market share of Internet sales related to retail sales is still not significant. The Internet enables manufacturers and retailers to

sell directly to consumers, diminishing the importance of traditional distribution channels such as retail stores and shopping centers. IRSA believes that its target consumers are increasingly using the Internet, from home, work or elsewhere, to shop electronically for retail goods, and this trend is likely to continue. If e-commerce and retail sales through the Internet continue to grow, consumers' reliance on traditional distribution channels such as IRSA's shopping centers could be materially diminished, having a material adverse effect on our financial condition, results of operations and business prospects.

