CRESUD INC
Form 20-F
December 30, 2009
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United States

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 20-F

¨ **REGISTRATION STATEMENT PURSUANT TO SECTION 12(b) OR (g) OF THE SECURITIES EXCHANGE ACT OF 1934**
OR

x **ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**
For the fiscal year ended: June 30, 2009

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: 128 0-30982

CRESUD SOCIEDAD ANONIMA COMERCIAL INMOBILIARIA FINANCIERA Y AGROPECUARIA

(Exact name of Registrant as specified in its charter)

CRESUD INC.

(Translation of Registrant s name into English)

Republic of Argentina

(Jurisdiction of incorporation or organization)

Moreno 877, 23rd Floor,

(C1091AAQ) Buenos Aires, Argentina

(Address of principal executive offices)

Gabriel Blasi

Chief Financial Officer

Tel +(5411) 4323-7449 finanzas@cresud.com.ar

Moreno 877 23rd Floor

(C1091AAQ) Buenos Aires, Argentina

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

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

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

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

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

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

The number of outstanding shares of the issuer s common stock as of June 30, 2009

was

501,538,610

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

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Date File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). ¨ Yes ¨ 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 x
Non-accelerated filer ¨	

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

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

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 x 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 x No

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CRESUD SOCIEDAD ANÓNIMA COMERCIAL

INMOBILIARIA FINANCIERA Y AGROPECUARIA

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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, variations of such words, and similar expressions are intended to identify such forward-looking statements. You should be aware that any such forward-looking statements are not guarantees of future performance and may involve risks and uncertainties, and that actual results may differ from those set forth in the forward-looking statements as a result of various factors (including, without limitations, the actions of competitors, future global economic conditions, market conditions, foreign exchange rates, and operating and financial risks related to managing growth and integrating acquired businesses), many of which are beyond our control. The occurrence of any such factors not currently expected by us would significantly alter the results set forth in these statements.

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

- changes in general economic, business or political or other conditions in Argentina or changes in general economic or business conditions in Latin America;
- changes in capital markets in general that may affect policies or attitudes toward lending to Argentina or Argentine companies;
- changes in exchange rates or regulations applicable to currency exchanges or transfers;
- unexpected developments in certain existing litigation;
- increased costs;
- unanticipated increases in financing and other costs or the inability to obtain additional debt or equity financing on attractive terms; and
- the factors discussed under Risk Factors .

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

CERTAIN MEASURES AND TERMS

As used throughout this Annual Report, the terms Cresud , Company , we , us , and our refer to Cresud Sociedad 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 m^2 are to square meters, the square meters, while in the United States and certain other jurisdictions, the standard measure of area is the square foot (sq.ft). A metric ton is equal to 1,000 kilograms. A kilogram is equal to approximately 2.2 pounds. A metric ton of wheat is equal to approximately 36.74 bushels. A metric ton of corn is equal to approximately 39.37 bushels. A metric ton of soybean is equal to approximately

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36.74 bushels. One gallon is equal to 3.7854 liter. One hectare is equal to approximately 2.47 acres and 10.000 square meters. One square meter is equal to approximately 10.764 square feet. One kilogram of live weight beef cattle is equal to approximately 0.5 to 0.6 kilogram of carcass (meat and bones).

PRESENTATION OF FINANCIAL AND CERTAIN OTHER INFORMATION

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; and when we refer to Central Bank we mean the Argentine Central Bank.

This Annual Report contains our audited consolidated financial statements as of June 30, 2009 and 2008 and for the years ended June 30, 2009, 2008 and 2007 (our Consolidated Financial Statements). Our Consolidated Financial Statements have been audited by Price Waterhouse & Co. S.R.L. Buenos Aires Argentina, a member firm of PricewaterhouseCoopers, an independent registered public accounting firm, whose report is included herein. We prepare our Consolidated Financial Statements in Pesos and in conformity with generally accepted accounting principles used in Argentina, as set forth by the Federación Argentina de Consejos Profesionales de Ciencias Económicas (FACPCE) and as implemented, adapted, amended, revised and/or supplemented by the Consejo Profesional de Ciencias Económicas de la Ciudad Autónoma de Buenos Aires (CPCECABA) (collectively Argentine GAAP). In addition, we must comply with the regulations of the Comisión Nacional de Valores (CNV), the National Securities Commission in Argentina, which differ in certain significant respects from generally accepted accounting principles in the United States of America (US GAAP). Such differences involve methods of measuring the amounts shown in the Consolidated Financial Statements as well as additional disclosures required by US GAAP and Regulation S-X of the Securities and Exchange Commission (SEC). See Note 30 to our Consolidated Financial Statements for a description of the principal differences between Argentine GAAP and U.S. GAAP, as they relate to us, and reconciliation to U.S. GAAP of net income and shareholders equity.

As discussed in Note 2.d) to our Consolidated Financial Statements, in order to comply with regulations of the CNV, we discontinued inflation accounting as from February 28, 2003. Since Argentine GAAP required companies to discontinue inflation adjustments only as from October 1st, 2003, the application of CNV resolution represented a departure from Argentine GAAP. However, due to low inflation rates during the period from March to September 2003, such a departure has not had a material effect on the Consolidated Financial Statements.

As of June 30, 2009, IRSA Inversiones y Representaciones Sociedad Anónima (IRSA) has a significant investment in *Banco Hipotecario S.A*. that accounts for approximately 10.9% of IRSA s total consolidated assets.

As discussed in Note 2.b to the Consolidated Financial Statements, from July 1st, 2008 to October 31 st, 2008, we acquired an additional 11.57% equity interest in Inversiones y Representaciones Sociedad Anonima (IRSA) and we started consolidating IRSA accounts as of that date. Therefore, the separate consolidated financial statements of IRSA are no longer included in this Annual Report. As of June 30, 2009, we have an indirect 21.34% (without considering treasury shares) equity interest in Banco Hipotecario Nacional, through our subsidiary IRSA. In compliance with Rule 3-09 of Regulation S-X, this Annual Report includes the consolidated financial statements of Banco Hipotecario Nacional as of June 30, 2009 and 2008 and for the twelve months periods ended June 30, 2009, 2008 and 2007.

Certain amounts which appear in this annual report (including percentage amounts) may not sum due to rounding. Solely for the convenience of the reader, we have translated certain Peso amounts into U.S. dollars at the exchange rate quoted by Banco de La Nación Argentina for June 30, 2009, which was Ps.3.797 = 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.

References to fiscal years 2005, 2006, 2007, 2008 and 2009 are to the fiscal years ended June 30 of each such year.

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MARKET DATA

Market data used throughout this annual report were 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.

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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 be read in conjunction with and is qualified in its entirety by reference to our Consolidated Financial Statements and the discussion in Operating and Financial Review and Prospects, included elsewhere in this Annual Report.

The selected consolidated statement of income data for the years ended June 30, 2009, 2008 and 2007 and the selected consolidated balance sheet data as of June 30, 2009 and 2008 have been derived from our Consolidated Financial Statements which have been audited by Price Waterhouse & Co. S.R.L. Buenos Aires Argentina, a member firm of PricewaterhouseCoopers, Buenos Aires, Argentina, an independent registered public accounting firm.

The selected consolidated statement of income data for the years ended June 30, 2006 and 2005 and the selected consolidated balance sheet data as of June 30, 2007 and 2006 have been derived from our audited consolidated financial statements as of June 30, 2007 and 2006 and for the years ended June 30, 2007, 2006, and 2005 which are not included herein. The selected consolidated balance sheet data as of June 30, 2005 has been derived from our audited consolidated financial statements as of June, 30, 2006 and 2005 and for the years ended June 30, 2006, 2005 and 2004 which are also not included herein.

Certain reclassifications have been made to the audited consolidated financial statements as of June 30, 2007 and 2006 and for the years ended June 30, 2007, 2006 and 2005, and to the audited consolidated financial statements as of June 30, 2006 and 2005 and for the years ended June 30, 2006, 2005 and 2004 in order to conform to the presentation of the Consolidated Financial Statements. These reclassifications had no impact on previously reported net income, net income per share, shareholders equity or cash flows.

During the fiscal year ended June 30, 2009, we acquired directly or indirectly 78,181,444 additional shares of IRSA. Our equity interest in IRSA is 55.64% as of June 30, 2009. We started consolidated the accounts and results of operations of IRSA as from October 1st, 2008. Our consolidated financial information for periods prior to October 1st, 2008 does not include the accounts of IRSA on a consolidated basis. Therefore, the income statement, balance sheet and cash flow data as of June 30, 2009 and for the year then ended is not comparable to prior periods.

	For the years ended on June, 30					
	2009 (1)	2009 (15)	2008	2007	2006	2005
	(in thousand US$, except for percentages)	(in thousand Ps, except for ratios and number of shares)				

INCOME STATEMENT DATA						
Argentine GAAP						
Agricultural production income:						
Crops	35,338	134,179	117,474	72,426	37,006	44,053
Beef cattle	4,772	18,120	23,927	19,463	20,453	19,994

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	For the years ended on June, 30					
	2009 [1] (in thousand US$, except for percentages)	2009 [15]	2008	2007	2006	2005
		(in thousand Ps, except for ratios and number of shares)				
Milk	5,323	20,213	18,420	10,911	7,892	3,463
Total agricultural production income	**45,433**	**172,512**	**159,821**	**102,800**	**65,351**	**67,510**
Cost of agricultural production:						
Crops	(46,330)	(175,916)	(82,151)	(51,538)	(34,636)	(34,464)
Beef cattle	(4,277)	(16,241)	(19,316)	(15,050)	(18,780)	(17,012)
Milk	(4,816)	(18,286)	(14,283)	(8,477)	(5,845)	(2,095)
Total cost of agricultural production	**(55,423)**	**(210,443)**	**(115,750)**	**(75,065)**	**(59,261)**	**(53,571)**
Gross (loss) income from agricultural production	**(9,990)**	**(37,931)**	**44,071**	**27,735**	**6,090**	**13,939**
Sales:						
Crops	43,314	164,463	86,870	53,401	61,660	30,893
Beef cattle	4,647	17,646	32,432	31,967	33,713	36,827
Milk	5,075	19,270	17,493	9,731	7,892	3,463
Feed lot				3,102	2,721	2,130
Others	9,493	36,045	25,786	12,116	6,354	4,860
Total sales- crops, beef cattle, milk, feed lot and others	**62,529**	**237,424**	**162,581**	**110,317**	**112,340**	**78,173**
Sales of farmlands	**516**	**1,959**	**23,020**	**29,872**	**16,492**	**30,946**
Cost of sales:						
Crops	(38,180)	(144,969)	(75,949)	(47,350)	(52,949)	(26,273)
Beef cattle	(4,276)	(16,237)	(30,038)	(30,273)	(32,994)	(35,811)
Milk	(5,087)	(19,316)	(17,630)	(9,731)	(7,892)	(3,463)
Feed lot				(2,784)	(2,318)	(1,855)
Others	(6,376)	(24,210)	(17,379)	(6,737)	(3,257)	(1,546)
Total cost of sales- crops, beef cattle, milk, feed lot and others	**(53,919)**	**(204,732)**	**(140,996)**	**(96,875)**	**(99,410)**	**(68,948)**
Cost of farmland sales	**(25)**	**(94)**	**(3,006)**	**(7,616)**	**(6,595)**	**(10,958)**
Gross income from sales- Agricultural business	**9,101**	**34,557**	**41,599**	**35,698**	**22,827**	**29,213**
Sales:						
Sales and development of properties	73,244	278,107				
Income from lease and service of offices, shopping centers, hotels, consumer financing and others	194,146	737,173				
Cost of sales:						
Cost of sales and development of properties	(44,912)	(170,529)				
Cost of lease and service of offices, shopping centers, hotels, consumer financing and others	(69,896)	(265,394)				
Gross income from sales Real estate business	**152,582**	**579,357**				
(Loss) gross profit - Agricultural business	(889)	(3,374)	85,670	63,433	28,917	43,152
Gross profit - Real estate business	152,582	579,357				

	For the years ended on June, 30					
	2009 (1) (in thousand US$, except for percentages)	2009 (15)	2008	2007	2006	2005
		(in thousand Ps, except for ratios and number of shares)				
Gross profit	151,693	575,983	85,670	63,433	28,917	43,152
Selling expenses	(55,960)	(212,482)	(14,497)	(9,972)	(10,151)	(6,600)
Administrative expenses	(35,466)	(134,664)	(26,104)	(16,628)	(11,560)	(7,271)
Gain from recognition of inventories at net realizable value	2,433	9,237	886			
Unrealized (loss) gain on inventories- Beef cattle	(226)	(860)	8,535	5,103	2,848	11,621
Unrealized (loss) gain on inventories- Crops	(125)	(476)	(10,878)	(3,927)	1,054	(4,644)
Unrealized gain on inventories and transactions involving real estate assets	244	928				
Net (loss) from retained interest in securitized receivables of Tarjeta Shopping	(5,863)	(22,263)				
Operating income	**56,730**	**215,403**	**43,612**	**38,009**	**11,108**	**36,258**
Amortization of negative goodwill	8,518	32,344				
Financial results, net	11,761	44,656	(52,268)	(10,458)	12,374	63,751
Gain on equity investees	12,956	49,194	38,417	40,199	22,141	28,087
Other income and expenses, net	(4,332)	(16,448)	(4,092)	(4,251)	(3,368)	(5,065)
Management fee	(3,593)	(13,641)	(2,171)	(5,485)	(3,836)	(8,533)
Income before income tax and minority interest	**82,040**	**311,508**	**23,498**	**58,014**	**38,419**	**114,498**
Income tax and minimum presumed income tax	(24,409)	(92,682)	(284)	(8,375)	(5,432)	(37,788)
Minority interest	(24,812)	(94,210)	(266)	(277)	(103)	89
Net income for the year	**32,819**	**124,616**	**22,948**	**49,362**	**32,884**	**76,799**
U.S GAAP						
Total sales	422,136	1,602,849	345,422	237,166	187,215	174,039
Total Cost of sales	(242,577)	(921,067)	(267,764)	(172,750)	(155,388)	(130,469)
Gross profit	179,559	681,782	77,658	64,416	31,827	43,570
Selling expenses	(51,095)	(194,009)	(14,497)	(9,936)	(10,151)	(6,600)
Administrative expenses	(40,675)	(154,443)	(27,549)	(21,878)	(14,299)	(16,467)
Net (loss) from retained interest in securized receivables of Tarjeta Shopping	(5,071)	(19,253)				
Others	(3,925)	(14,903)	(4,582)	(2,429)	(1,842)	
Operating income	78,793	299,174	31,030	30,173	5,535	20,503
Amortization of negative goodwill	8,202	31,142				
Financial results, net	13,590	51,602	(55,861)	(15,753)	3,816	54,965
(Loss) gain on equity investees	(17,700)	(67,206)	42,605	40,562	21,759	47,202
Other income and expenses, net	719	2,729	(4,083)	(4,126)	(3,246)	(5,039)
Income before income tax and minority interest	83,604	317,441	13,691	50,856	27,864	117,631
Income tax and minimum presumed income tax	(52,256)	(198,416)	2,990	(1,244)	(272)	(31,025)
Minority interest	(642)	(2,438)	(266)	(277)	(103)	88
Net income for the year	30,706	116,587	16,415	49,335	27,489	86,694

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	For the years ended on June, 30					
	2009 (1) (in thousand US$, except for percentages)	2009 (15)	2008	2007	2006	2005
		(in thousand Ps, except for ratios and number of shares)				
BALANCE SHEET DATA						
Argentine GAAP						
Current assets:						
Cash and banks and investments	112,721	428,000	533,087	86,772	32,221	74,446
Trade and other receivables, net	155,506	590,458	91,183	77,542	33,830	32,002
Inventories	36,660	139,197	111,525	52,460	28,932	46,294
Other assets			1,070			
Total current assets	**304,887**	**1,157,655**	**736,865**	**216,774**	**94,983**	**152,742**
Non-current assets:						
Trade and other receivables, net	66,321	251,822	41,365	43,237	36,005	6,480
Inventories	66,244	251,529	76,113	68,344	62,712	53,223
Investments	357,810	1,358,605	925,972	474,022	428,598	364,469
Goodwill, net	(107,648)	(408,740)				
Property and equipment, net	871,740	3,309,998	266,616	245,920	224,776	166,498
Intangible assets, net	14,534	55,187	22,829	23,582	23,582	
Total non-current assets	**1,269,001**	**4,818,401**	**1,332,895**	**855,105**	**775,673**	**590,670**
Total assets	**1,573,888**	**5,976,056**	**2,069,760**	**1,071,879**	**870,656**	**743,412**
Current liabilities:						
Trade accounts payable	89,516	339,894	48,467	30,936	26,439	17,894
Loans, mortgages payable, allowances and customer advances	168,621	640,255	195,600	122,750	66,422	11,500
Salaries and social security contributions, taxes payable and other liabilities	87,902	333,763	18,281	14,006	9,049	36,586
Total current liabilities	**346,039**	**1,313,912**	**262,348**	**167,692**	**101,910**	**65,980**
Non current liabilities:						
Trade accounts payable	23,490	89,193		246	835	114,799
Loans, allowances and customer advances	269,392	1,022,880	1,803	26,491	98,281	
Taxes payable and other liabilities	79,327	301,205	42,111	51,660	43,205	39,285
Total non-current liabilities	**372,209**	**1,413,278**	**43,914**	**78,397**	**142,321**	**154,084**
Total liabilities	**718,248**	**2,727,190**	**306,262**	**246,089**	**244,231**	**220,064**
Minority interests	378,188	1,435,982	1,160	836	559	277
Shareholders equity	477,452	1,812,884	1,762,338	824,954	625,866	523,071
U.S GAAP						
Current assets:						
Cash and banks and Investments	105,374	400,104	533,088	86,772	31,530	73,895
Inventories	31,610	120,022	111,525	52,460	27,378	44,653
Trade and other receivables, net	165,263	627,503	91,184	77,542	32,221	30,509
Other assets			185			
Non-current assets:						
Other receivables	89,273	338,968	41,365	43,237	35,898	6,465
Inventories	11,856	45,018	34,395	32,297	26,349	16,951
Investments	257,452	977,547	867,033	428,121	373,296	289,309

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	For the years ended on June, 30					
	2009 (1) (in thousand US$, except for percentages)	2009 (15)	2008	2007	2006	2005
		(in thousand Ps, except for ratios and number of shares)				
Property and equipment, net	715,423	2,716,460	266,616	414,900	293,202	163,983
Intangible assets, net	17,291	65,655	22,829	23,582	23,582	
Goodwill, net	47,293	179,572				
Total assets	1,440,835	5,470,849	1,968,220	1,158,911	843,456	625,765
Current liabilities:						
Trade accounts payable	93,986	356,866	48,467	30,936	25,055	16,247
Loans, allowances and customer advances	167,706	636,779	195,600	122,750	66,422	11,500
Taxes payable and other liabilities	88,856	337,385	18,281	14,006	8,618	36,356
Total current liabilities	350,548	1,331,030	262,347	167,692	100,095	64,103
Non current liabilities:						
Trade accounts payable	23,316	88,532				
Loans, allowances and customer advances	279,225	1,060,218	148,134	4,129	68,448	74,810
Taxes payable and other liabilities	105,551	400,775	40,929	61,181	60,286	60,715
Total non-current liabilities	408,092	1,549,525	189,063	65,310	128,734	135,525
Total liabilities	758,640	2,880,555	451,411	233,002	228,829	199,628
Minority interests	277,844	1,054,973	1,160	837	560	277
Net shareholders equity	404,351	1,535,321	1,515,649	925,072	614,067	425,860
CASH FLOW DATA						
Argentine GAAP						
Net cash provided by (used in) operating activities	78,888	299,536	(48,504)	(27,290)	(21,470)	(10,101)
Net cash provided by (used in) investing activities	(96,702)	(367,179)	(434,426)	(29,718)	(110,866)	62,734
Net cash provided by (used in) financing activities	(63,673)	(241,767)	917,833	115,814	92,251	1,691
U.S. GAAP(8)						
Net cash provided by (used in) operating activities	95,143	361,259	(74,566)	(62,360)	(3,840)	54,736
Net cash provided by (used in) investing activities	(96,072)	(364,785)	(652,330)	5,296	(133,001)	(1,919)
Net cash provided by (used in) financing activities	(63,673)	(241,767)	917,833	115,814	92,251	1,691
Effects of exchange rate changes	(18,835)	(71,516)	(1,718)	56	4,505	(184)
OTHER FINANCIAL DATA						
Argentine GAAP						
Basic net income per share(2)	0.07	0.26	0.06	0.20	0.19	0.49
Diluted net income per share(3)	0.06	0.23	0.06	0.16	0.13	0.25
Basic net income per ADS(2)(4)	0.68	2.60	0.62	2.00	1.93	4.90
Diluted net income per ADS(3)(4)	0.61	2.30	0.60	1.60	1.32	2.50
Weighted average number of common shares outstanding		484,929,612	368,466,065	247,149,373	170,681,455	155,343,629
Diluted weighted average number of common shares(5)		544,172,519	385,300,115	321,214,392	321,214,392	321,214,392
Dividends paid(6)			20,000	8,250	5,500	10,000

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	For the years ended on June, 30					
	2009 (1)	**2009 (15)**	**2008**	**2007**	**2006**	**2005**
	(in thousand US$, except for percentages)	**(in thousand Ps, except for ratios and number of shares)**				
Dividends per share			0.040	0.026	0.024	0.06
Dividends per ADS(4)			0.40	0.26	0.24	0.59
Depreciation and amortization	31,933	121,249	6,474	4,459	5,112	4,169
Capital expenditures(7)	83,536	317,188	28,019	29,327	55,771	25,960
Gross margin(8)	40.4%	40.4%	24.8%	26.1%	14.9%	24.4%
Operating margin(9)	15.1%	15.1%	12.6%	15.6%	5.7%	20.5%
Net margin(10)	8.7%	8.7%	6.6%	20.3%	16.9%	43.5%
Ratio of current assets to current liabilities(11)	0.88	0.88	2.81	1.29	0.93	2.31
Ratio of shareholders equity to total liabilities(12)	0.66	0.66	5.75	3.35	2.56	2.38
Ratio of non current assets to total assets(13)	0.81	0.81	0.64	0.80	0.89	0.79
Ratio of Return on Equity ROE(14)	0.07	0.07	0.02	0.07	0.06	0.16
U.S GAAP						
Basic net income per share(2)	0.06	0.24	0.04	0.20	0.16	0.56
Diluted net income per share(3)	0.03	0.12	0.04	0.18	0.15	0.34
Basic net income per ADS (2)(4)	0.63	2.4	0.45	2.00	1.61	5.58
Diluted net income per ADS(3)(4)	0.32	1.20	0.40	1.80	1.54	3.38
Weighted average number of common shares outstanding		484,929,612	368,466,065	247,149,373	170,681,455	155,343,629
Diluted weighted average number of common shares(5)		544,165,774	388,439,848	305,057,442	270,811,838	283,140,627
Gross margin(8)	287.2%	287.2%	49.2%	60.5%	26.5%	48.4%
Operating margin(9)	126.0%	126.0%	19.1%	28.9%	5.3%	27.1%
Net margin(10)	49.1%	49.1%	10.1%	47.2%	26.1%	114.7%

(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, 2009 which was Ps.3.797 = 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.

(4) Determined by multiplying per share amounts by ten (one ADS equals ten common shares).

(5) Assuming (i) conversion into common shares of all of our outstanding convertible notes due 2007 and, (ii) exercise of all outstanding warrants to purchase our common shares and (iii) exercise of the options issued by the Company by reason of its common stock capital increase.

(6) The shareholders meeting held in October 2008 approved the distribution of a cash dividend amounting to Ps.20,000 for the fiscal year ended on June 30, 2008.

(7) Includes the purchase of farms and other property and equipment; also includes the purchase of fixed assets (including facilities and equipment), undeveloped parcels of land and renovation and remodeling of hotels and shopping centers. Also include escrow deposits held in favor of third parties related to the acquisition of certain fixed assets.

(8) Gross profit divided by the sum of production income and sales.

(9) Operating income divided by the sum of production income and sales.

(10) Net income divided by the sum of production income and sales.

(11) Current assets over current liabilities.

(12) Shareholders equity over total liabilities.

(13) Non-current assets over total assets.
(14) Profitability refers to Income for the year divided by average Shareholders equity.
(15) The financial data as of June 30, 2009 and for the year ended June 30, 2009 includes the accounts of IRSA on a consolidated basis.

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Exchange Rates

In April 1991, Argentine law established a fixed exchange rate according to which the Central Bank was statutorily obliged to sell U.S. dollars to any individual at a fixed exchange rate of Ps.1.00 per US$1.00. On January 7, 2002, the Argentine congress enacted the Public Emergency Law, abandoning over ten years of fixed Peso-U.S. dollar parity at Ps.1.00 per US$1.00. After devaluing the Peso and setting the official exchange rate at Ps.1.40 per US$1.00, on February 11, 2002, the government allowed the Peso to float. The shortage of U.S. dollars and their heightened demand caused the Peso to further devalue significantly in the first half of 2002. As of December 17, 2009 the exchange rate was Ps.3.8200 = US$1.00 as quoted by *Banco de la Nación Argentina* at the U.S. dollar selling rate. During the calendar year 2008 and the first semester of year 2009, the Central Bank has indirectly affected the exchange rate market, through active participation with the purpose of isolate the external shocks and to maintain a stable parity.

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

	Exchange Rate			
	High(1)	**Low(2)**	**Average(3)**	**Period Closing**
Fiscal year ended June 30, 2003	3.7400	2.7120	3.2565	2.8000
Fiscal year ended June 30, 2004	2.9510	2.7100	2.8649	2.9580
Fiscal year ended June 30, 2005	3.0400	2.8460	2.9230	2.8670
Fiscal year ended June 30, 2006	3.0880	2.8590	3.0006	3.0860
Fiscal year ended June 30, 2007	3.1080	3.0480	3.0862	3.0930
Fiscal year ended June 30, 2008	3.1840	3.0160	3.1396	3.0250
Fiscal year ended June 30, 2009	3.7780	2.9940	3.3862	3.7770
July 2009	3.8100	3.6360	3.7825	3.8100
August 2009	3.8310	3.8030	3.8193	3.8310
September 2009	3.8340	3.8080	3.8222	3.8230
October 2009	3.8240	3.7990	3.8062	3.7990
November 2009	3.7990	3.7790	3.7908	3.7910
December 2009 (As of December 17, 2009)	3.8000	3.7790	3.7882	3.8000

Source: *Banco de la Nación Argentina*

(1) The high exchange rate stated was the highest closing exchange rate of the month during the fiscal year or any shorter period, as indicated.
(2) The low exchange rate stated was the lowest closing exchange rate of the month during the fiscal year or any shorter period, as indicated.
(3) Average month-end closing exchange rates.

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

B. CAPITALIZATION AND INDEBTEDNESS

This section is not applicable.

C. REASONS FOR THE OFFER AND USE OF PROCEEDS

This section is not applicable.

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D. RISK FACTORS

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

Risks Related to Argentina

Argentina s recent growth may not be sustainable.

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

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

Continuing inflation may have an adverse effect on the economy.

The devaluation of the Peso in January 2002 created pressures on the domestic price system that generated high inflation throughout 2002, before inflation substantially stabilizing in 2003. However, inflationary pressures have since reemerged with consumer prices increasing by 12.3% in calendar year 2005. In calendar year 2006, 2007 and 2008, inflation was 9.8%, 8.5% and 7.2%, respectively, in part due to actions implemented by the Argentine government to control inflation, which included limitations on exports and price arrangements agreed to with private sector companies. However, in spite of this decline in inflation, uncertainty surrounding future inflation may impact the country s growth. According to the Argentine Statistics and Census Agency, or INDEC, consumer prices increased by 5.8% during the first ten months of 2009.

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

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, INDEC modified its methodology used to calculate the consumer price index, which is calculated as the monthly average of a weighted basket of consumer goods and services that reflects the pattern of consumption of Argentine households. Several economists as well as the international and Argentine press have suggested that this change in methodology was related to the Argentine government s policy aimed at curbing inflation. At the time that INDEC adopted this change in methodology; the Argentine government also replaced several key personnel at INDEC, prompting complaints of governmental interference from the technical staff at INDEC. In addition, the International Monetary Fund, or IMF, has requested that the government clarify its inflation rates. In June 2008, INDEC published a new consumer price index that eliminated nearly half of the items included in previous surveys and introduces adjustable weightings for fruit, vegetables and clothing, which have seasonal cost variations. INDEC has indicated that it based its evaluation of spending habits on a study of a national household consumption survey from 2004 to 2005 in addition to other sources; however, the new index has been criticized by economists and investors after its debut report found prices rising well below expectations. These events have affected the credibility of the consumer price index published by INDEC, as well as other indexes published by INDEC which require the consumer price index for their own calculation, including the poverty index, the unemployment index and real gross domestic product. Argentina s inflation rate may be significantly higher than the rates indicated by official reports. In addition, if it is determined that it is necessary to correct the consumer price index and the other INDEC indexes derived from the consumer price index, there could be a significant decrease in confidence in the Argentine economy, which could, in turn, have a materially adverse effect on our ability to access international credit markets at market rates to finance our operations.

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

In the first half of 2005, Argentina restructured part of its sovereign debt that had been in default since the end of 2001. The Argentine government announced that as a result of the restructuring, it had approximately US$126.6 billion in total outstanding debt remaining. Of this amount, approximately US$19.5 billion are defaulted bonds owned by creditors who did not participate in the restructuring of the external financial debt. As of June 30, 2009, the total outstanding debt was approximately US$ 140.6 billion.

Some bondholders in the United States, Italy and Germany have filed legal actions against Argentina, and holdout creditors may initiate new suits in the future. Additionally, foreign shareholders of certain Argentine companies have filed claims in excess of US$17 billion before the International Centre for the Settlement of Investment Disputes, or ICSID, alleging that certain government measures are inconsistent with the fair and equitable treatment standards set forth in various bilateral treaties to which Argentina is a party. As of the date of this annual report, the ICSID has rendered decisions in eight cases, requiring the Argentine government to pay approximately US$ 1.0 billion plus interest in claims. In addition, the United Nations Commission on International Trade Law rendered an award against the Argentine government and ordered it to pay US$ 240 million plus interest and court costs. A group of bondholders that had not taken part in the restructuring of the Argentine sovereign debt sought international arbitration before the ICSID for the sum of US$ 4.4 billion.

Argentina has recently reinitiated discussions with holdout creditors and certain multilateral institutions. However, Argentina s past default and its failure to restructure completely its remaining sovereign debt and fully negotiate with the holdout creditors may prevent Argentina from reentering the international capital markets. Litigation initiated by holdout creditors as well as ICSID claims may result in material judgments against the Argentine 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 government may not have the financial resources necessary to implement reforms and foster growth which could have a material adverse effect on the country s economy and, consequently, our business. In addition, the difficulties Argentina faces to access financing in the international markets could have an adverse effect on our capacity to obtain financing in the international markets in order to finance our operations and growth.

Significant devaluation of the Peso against the U.S. dollar may adversely affect the Argentine economy as well as our financial performance.

Despite the positive effects of the real depreciation of the Peso in 2002 on the competitiveness of certain sectors of the Argentine economy, it has also had a far-reaching negative impact on the Argentine economy and on businesses and individuals financial condition. 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

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inflation, significantly reduced real wages, had a negative impact on businesses whose success is dependent on domestic market demand, such as utilities and the financial industry, and adversely affected the government s ability to honor its foreign debt obligations.

If the Peso devalues significantly, all of the negative effects on the Argentine economy related to such devaluation could recur, with adverse consequences to our business. Moreover, it would likely result in a decline in the value of our common shares and the ADSs as measured in U.S. dollars.

Significant appreciation of the Peso against the U.S. dollar may adversely affect the Argentine economy.

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.

Government measures to preempt or respond to social unrest may adversely affect the Argentine economy and our business.

The Argentine government has historically exercised significant influence over the country s economy. Additionally, the country s legal and regulatory frameworks have at times suffered radical changes, due to political influence and significant uncertainties.

Moreover, during its crisis in 2001 and 2002, Argentina experienced significant social and political turmoil, including civil unrest, riots, looting, nationwide protests, strikes and street demonstrations. Despite Argentina s economic recovery and relative stabilization, social and political tension and high levels of poverty and unemployment continue. In 2008, Argentina faced nationwide strikes and protests from farmers due to increased export taxes on agricultural products, which disrupted economic activity and have heightened political tension. Future government policies to preempt, or in response to, social unrest may include expropriation, nationalization, forced renegotiation or modification of existing contracts, suspension of the enforcement of creditors rights, new taxation policies, including royalty and tax increases and retroactive tax claims, and changes in laws and policies affecting foreign trade and investment. Such policies could destabilize the country and adversely and materially affect the economy, and thereby our business.

The nationalization of Argentina s pension funds has adversely affected local capital markets and may continue to do so.

Under Law No. 26,425, which was published in the Official Gazette in December 2008, the Argentine government transferred the approximately Ps.94.4 billion (US$29.3 billion) in assets held by the country s private *Administradoras de Fondos de Jubilaciones y Pensiones* (pension fund management companies, or AFJPs) to the government-run social security agency (ANSES).

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

AFJPs were the largest participants in the country s local capital market, leading the group of institutional investors. With the nationalization of their assets, the local capital market decreased its size and became substantially concentrated. In addition, the government became a significant shareholder in many of the country s private companies, which will bring about consequences to Argentina s capital markets and companies that are difficult to be measured as of to the date of this annual report.

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As a result, access to liquidity may be further limited, funding costs may rise and the government may have greater influence over the operations of private companies. The nationalization of the AFJPs has adversely affected investor confidence in Argentina. In addition, we cannot assure you that the government will not take similar measures in the future that interfere with private sector businesses and adversely affect the economy in general, and/or our business in particular.

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. Many of these restrictions were substantially eased after the crisis. However, in June 2005, the government issued decree No. 616/2005, that established additional controls on capital inflows, including the requirement that, subject to limit exemptions, 30% of funds remitted to Argentina remain deposited in a domestic financial institution for one year without earning any interest. This measure increases the cost of obtaining foreign funds and limits access to these funds.

The Argentine government may impose additional controls on the foreign exchange market and on capital flows from and into Argentina, in the future, for example in response to capital flight or depreciation of the peso. These restrictions may have a negative effect on the economy and our business if imposed in an economic environment where access to local capital is substantially constrained.

In December, 2008 Law No. 26,476 introduced certain changes in the Argentine labor and tax regime. As part of these changes, a broad tax moratorium was declared and natural and legal persons falling under its scope were given the option to disclose their holdings in national and foreign currency and other assets, both in Argentina and abroad, for purposes of their entry to the country, subject to the payment of a tax as established in the law. Those falling under the scope of this law were not obliged to disclose to the Argentine Tax Authority (AFIP) the date of purchase of their holdings or the source of the funds with which they purchased them, and were released from any civil, commercial or criminal tax actions relating to those holdings. The period to disclose the holdings was effective from March 1, 2009 until August 31, 2009. Although the International Financial Action Group (GAFI) has not rendered an opinion in this regard, these actions could encourage the entry of money of doubtful origin, breaching the international regulations and commitments assumed by Argentina, which would in turn generate even more distrust in the local financial system.

Finally, under Resolution No. 82/2009 of the Ministry of Economy and Public Finance suspended during the term of the mentioned tax moratorium and until September 2009, the statutory deposit required for bringing capital into Argentina, when it was destinated for any of the uses described in Section 27 (b), (c) and (d) of Law No. 26,476. Therefore, no deposit would be required when bringing capital into Argentina, pursuant to the terms of the tax moratorium, for the following purposes: (i) assets based in the country and holdings of local and foreign currency in Argentina; (ii) foreign currency held abroad and/or foreign deposits, and local currency and/or foreign currency held in Argentina, allocated to the subscription of government securities issued by the Argentine government; (iii) foreign currency held abroad and/or foreign deposits, and local currency and/or foreign currency held in Argentina by individuals, allocated to the purchase in Argentina of newly built properties or properties that have obtained the relevant work completion certificate; and (iv) foreign currency held abroad and/or foreign deposits, and local currency and/or foreign currency held in Argentina, allocated to the building of new properties, completion of works in progress, funding of infrastructure works, real estate, agricultural, industrial, tourism and services investments in Argentina.

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

Beginning in February 2002, the payment of dividends, irrespective of amount, outside Argentina required prior authorization from the Central Bank. On January 7, 2003, the Central Bank issued communication A 3859, which is still in force and pursuant to which there are no limitations on companies ability to purchase foreign currency and transfer it outside Argentina to pay dividends, provided that those dividends arise from approved and audited financial statements. However similar restrictions may be enacted by the Argentine government or the Central Bank again and, if this were to occur, it could have an adverse effect on the value of our common shares and the ADSs. Moreover, in such event, restrictions on the transfers of funds abroad may impede your ability to receive dividend payments as a holder of ADSs.

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The stability of the Argentine banking system is uncertain.

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

To prevent a run on the U.S. dollar reserves of local banks, the government restricted the amount of money that account holders could withdraw from banks and introduced exchange controls restricting capital outflows.

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

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

The Argentine economy could be adversely affected by economic developments in other global markets, in particular if the global financial and economic recovery is interrupted.

Financial and securities markets in Argentina are influenced, to varying degrees, by economic and market conditions in other global markets. Although economic conditions vary from country to country, investors perception of the events occurring in one country may substantially affect capital flows into other countries, including Argentina and the availability of funds for issuers in such countries. 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 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 major trade partners, such as Brazil, or countries such as the United States, that are significant trade partners and/or have influence over world economic cycles. 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 countries, which are also Argentina s trade partners, fall into a recession the Argentine economy would be impacted by decrease in exports. All of these factors would have a negative impact on us, our business, operations, financial condition and prospects.

In 2008, the global financial system experienced unprecedented volatility and disruption. As a result, the financial turmoil led to a significant tightening of credit, low levels of liquidity, extreme volatility in fixed income, credit, currency and equity markets and capital outflows away from emerging markets, including Argentina. This financial crisis has also produced an adverse impact on global economic conditions. Countries around the world experienced a significant deterioration in economic conditions, including the United States. However in recent months, worldwide markets have experienced some signs of recovery. Should this recovery be interrupted this may have a negative impact on the Argentine economy, and could adversely affect the conditions in the country in the future.

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

Argentina s economy has historically relied on the export of commodities, the prices of which have been volatile in the past and largely outside its control. Argentina s recovery from the crisis at 2001 and 2002 has depended to a significant extent on the rise in commodity prices, particularly prices of its main commodity exports, such as soybean. High commodity prices have contributed significantly to government revenues from taxes on exports. In recent months, the prices of the commodities that Argentina exports have declined significantly. If commodity prices continue to decline, the growth of the Argentine economy could be affected. Such occurrence would have a negative impact on the levels of government revenues, the government s ability to service its debt and on our business.

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

As a result of several years of recession, and the forced conversion into Pesos and subsequent freeze of gas and electricity tariffs, there has been a lack of investment in gas and electricity supply and transport capacity in Argentina in recent years. At the same time, demand for natural gas and electricity has increased substantially, driven by a recovery in economic conditions and price constraints.

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

Risks Relating to Brazil

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

Our business is dependent to a large extent on the economic conditions in Brazil. As of June 30, 2009, approximately 3.6% of our consolidated assets were located in Brazil through our affiliate BrasilAgro.

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

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

- fluctuation in exchange rates in Brazil;
- monetary policy;
- exchange controls and restrictions on remittances outside Brazil, such as those which were imposed on such remittances (including dividends) in 1989 and early 1990;
- inflation in Brazil;
- interest rates;

liquidity of the Brazilian financial, capital and lending markets;

fiscal policy and tax regime in Brazil; and

other political, social and economical developments in or affecting Brazil.

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

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

Brazil has experienced high and generally unpredictable rates of inflation for many years in the past. Inflation itself, as well as governmental policies to combat inflation, have had significant negative effects on the Brazilian economy in general. Inflation, government efforts to control inflation and public speculation about future governmental actions have had, and can be expected to continue to have, significant impact on the Brazilian economy and on our operations in Brazil. As measured by the Brazilian *Índice Nacional de Preços au Consumidor* (National Consumer Price Index), or INPC, inflation in Brazil was 5.1%, 2.8% , 5.2%, 6,5% and 3.5% in 2005, 2006, 2007, 2008 and for the tem month period ended October 31, 2009, respectively. We cannot assure you that levels of inflation in Brazil will not increase in future years having a material adverse effect on our business, on the financial condition or, the results of operations. Inflationary pressures may lead to further government intervention in the economy, including the introduction of government policies that could adversely affect the results of operations of BrasilAgro and consequently our financial condition and results of operations and the market price of our common shares and ADSs.

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

Brazil s rate of inflation and the government s actions to combat inflation have also affected the exchange rate between the *real* and the U.S. dollar. As a result of inflationary pressures, the Brazilian currency has been devalued periodically during the last four decades. Throughout this period, the Brazilian federal government has implemented various economic plans and utilized a number of exchange rate policies, including sudden devaluations, periodic mini 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 2005, 2006, 2007 and 2008, the *real* appreciated 12.7%, 8.6%, 16.5% and 30.07%, respectively, against the U.S. dollar. As of the period of eleven-month ended November 30,2009, as an impact of the world s economy crisis that unfolded in mid 2007 as a result of the disruption of the United States subprime mortgage market, the real appreciated 24.2% against the U.S. dollar. Despite the recent appreciation there can be no assurance that the rate of exchange between the *real* and the dollar will not fluctuate significantly. In the event of a devaluation of the *real*, the financial condition and results of operations of our Brazilian subsidiary could be adversely affected.

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

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

Brazilian law guarantees foreign shareholders of Brazilian companies the right to repatriate their invested capital and to receive all dividends in foreign currency provided that their investment is registered with the *Banco Central do Brazil*, or the Brazilian Central Bank. We registered our investment in BrasilAgro with the Brazilian

Central Bank on April 28, 2006. Although dividend payments related to profits obtained subsequent to April 28, 2006 are not subject to income tax, if the sum of repatriated capital and invested capital exceeds the investment amount registered with the Brazilian Central Bank, repatriated capital is subject to a capital gains tax of 15%. There can be no assurance that the Brazilian government will not impose additional restrictions or modify existing regulations that would have an adverse effect on an investor s ability to repatriate funds from Brazil nor can there be any assurance of the timing or duration of such restrictions, if imposed in the future.

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

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

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

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

One of the principal disadvantages of the agriculture industry in some of the regions where we operate is that they are located a long distance from major ports in some cases, nearly 1,500 kilometers. Efficient access to transportation infrastructure and ports is critical to the profitability in the agricultural industry. Furthermore, as part of our business strategy, we intend to acquire and develop land in specific areas where existing transportation is poor. A substantial portion of agricultural production in certain of the regions where we operate is currently transported by truck, a means of transportation significantly more expensive than the rail transportation available to the U.S. and other international producers. As a result, we may be unable to obtain efficient transportation to make our production reach our most important markets in a cost-effective manner, if at all.

Risks Relating to Our Region

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

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

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In the past year, the world s economy experienced the effects of the crisis that unfolded in mid 2007 as a result of the disruption of the United States subprime mortgage market. Though there has been some recovery, an interruption of such recovery may have an impact on the economic conditions difficult to predict. Triggering a less favorable or an unfavorable international environment for the countries where we operate or intend to operate, forcing domestic policy adjustments, which could cause adverse economic conditions and adversely affect our business.

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

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

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

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 such as us to access financial markets.

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

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

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

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

Most countries where we operate or intend to operate have historically experienced high rates of inflation. Inflation and some measures implemented to curb inflation have had significant negative effects on the economies of Latin American countries. Governmental actions taken in an effort to curb inflation, coupled with speculation about possible future actions, have contributed to economic uncertainty at times in most Latin American countries. The countries where we operate or intend to operate may experience high levels of inflation in the future that could lead to further government intervention in the economy, including the introduction of government policies that could adversely affect our results of operations. In addition, if any of these countries experience high rates of inflation, we may not be able to adjust the price of our services sufficiently to offset the effects of inflation on our cost structures. A high inflation environment would also have negative effects on the level of economic activity and employment and adversely affect our business and results of operations.

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

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

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

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

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Risks Relating to Our Agricultural Business

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

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

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

Our financial condition and results of operations could be materially and adversely affected if the prices of grains and by-products decline.

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

The occurrence of severe adverse weather conditions, especially droughts, hail or floods, is unpredictable and may have a potentially devastating impact upon our crop production and, to a lesser extent, our beef cattle production. The occurrence of severe adverse weather conditions may reduce yields on our farms or require us to increase our level of investment to maintain yields. The 2008/2009 agricultural season in Argentina s main production areas has sustained one of the worst droughts in the past 70 years which adversely affected the agricultural and livestock industry and also had a negative bearing on the expectations for the next season and for the cattle stock. We experienced losses and can not assume that they will not occur. According to the United States Department of Agriculture (USDA) s November 2009 estimates, Argentina s crops output (wheat, corn and soybean) for the 2009/2010 season is expected to be higher than in the previous cycle though lower than in the 2007/2008 season, as this was the last period to exhibit normal weather and conditions. This decrease is partly due to the decrease in the area sown with wheat and corn. Also according to the USDA, the area sown with soybean will rise by 17.5% compared to the previous cycle, but this still will not offset the drop in the other crops. The USDA has estimated that Argentina s wheat output for the 2009/2010 season will be 8.0 million tons: in the 2008/09 season this output had been in the region of 8.4 million tons. As regards corn, output for the previous cycle had been 12.6 million tons, whereas the USDA report for November estimated that in the 2009/2010 cycle Argentina s output will be 14.0 million tons. As regards the USDA projections concerning soybean, Argentina s output will be 52.5 million tons, that is 65.6% and 14.7% higher than the production posted in the 2008/09 and 2007/08 seasons, respectively. The weather phenomenon has also impacted on beef cattle, causing deaths and affecting beef and milk production. As a result, we cannot assure you that the present and future severe adverse weather conditions will not adversely affect our operating results and financial condition.

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

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

Our 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

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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 beef cattle and milk sales which could adversely affect our operating results and financial condition.

We may be exposed to material losses due to volatile crop prices since we hold a significant portion of our production unhedge, and expose to crop price risk.

Due to the fact that we do not have 100% of our crops hedged, we are unable to have minimum price guarantees for all of our production and are therefore exposed to significant risks associated with the level and volatility of crop prices. We are subject to fluctuations in crop prices which could result in receiving a lower price for our crops than our production cost. We are also subject to exchange rate risks related to our crops that are hedged, because our futures and options positions are valued in U.S. dollars, and thus are subject to exchange rate risk.

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

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

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

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

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The current 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 current credit crisis is having 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 farm sales will provide us with sufficient liquidity through the current credit crisis, 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 the in their future orders of our products and the inability or failure on their part to meet their payment obligations to us, any of which could have a material adverse effect on our results of operations and liquidity.

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

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

We may increase our crop price risk since we could have a net long position in crop derivatives.

In order to improve the use of land and capital allocation, we may have a long position in crops in addition to our own production. This strategy increases our crop price risk, generating material losses in a downward market.

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

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

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

We experience substantial worldwide competition in each of our markets and in many of our product lines. The market for cereals, oil seeds and by-products is highly competitive and also sensitive to changes in industry capacity, producer inventories and cyclical changes in the world s economies, any of which may significantly affect the selling prices of our products and thereby our profitability. Argentina is more competitive in the oilseed market than in the market for cereals. Due to the fact that many of our products are agricultural commodities, they compete in the international markets almost exclusively on the basis of price. Many other producers of these products are larger than us, and have greater financial and other resources. Moreover, many other producers receive subsidies from their respective countries while we do not receive any such subsidies from the Argentine government. These subsidies may allow producers from other countries to produce at lower costs than us and/or endure periods of low prices and operating losses for longer periods than we can. Any increased competitive pressure with respect to our products could materially and adversely affect our financial condition and results of operations.

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

Though our cattle sales are diversified, we are and will continue to be significantly dependent on a number of third party relationships, mainly with our customers for crop and milk sales. In fiscal year 2009, we sold our products to approximately 134 customers. Sales to our ten largest customers represented approximately 74% of our net sales for the fiscal year ended June 30, 2009. Of these customers, our biggest three customers, Cargill S.A., Mastellone Hnos. S.A. and Bunge Argentina S.A., represented, in the aggregate, approximately 46% of our net sales, while the remaining seven customers in the aggregate represented approximately 28% of our net sales in fiscal year 2009.

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, 2008, these sales represented approximately 11.8% of our total revenues. There can be no assurance that this customer will continue to purchase our entire raw milk production or that, if it fails to do so, we could enter into satisfactory sale arrangements with new purchasers in the future.

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

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

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

Our agribusiness business is highly seasonal in nature. The harvest and sale of crops (corn, soybean and sunflower) generally occurs from February to June. Wheat is harvested from December to January. Our operations and sales are affected by the growing cycle of the crops we process and by decreases during the summer in the price of the 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.

Our subsidiaries dividend restrictions may adversely affect us.

We have subsidiaries and hence an important source of funds for us is cash dividends and other permitted payments from our subsidiaries. The debt agreements of our subsidiaries contain covenants restricting their ability to pay dividends or make other distributions. If our subsidiaries are unable to make payments to us, or are able to pay only limited amounts, we may be unable to pay dividends or make payments on our indebtedness.

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

As of November 30, 2009, Mr. Eduardo S. Elsztain, was the beneficial owner of 34.8% (on a fully diluted basis) of our common shares. As a result of his significant influence over us, Mr. Elsztain, by virtue of his position in IFISA, has been able to elect a majority of the members of our board of directors, direct our management and determine the result of substantially all resolutions that require shareholders approval, including fundamental corporate transactions and our payment of dividends by us.

The interests of our principal shareholder and management may differ from, and could conflict with, those of our other shareholders. Pursuant to a consulting agreement we pay a management fee equal to 10% of our annual net income to Consultores Asset Management S.A., formerly known as Dolphin Fund Management S.A.

(Consultores Asset Management), a company whose capital stock is 85% owned by Eduardo Elsztain and 15% owned by Saúl Zang, the first vice-chairman of our board of directors. This performance based fee could be viewed as an incentive for Consultores Asset Management to favor riskier or more speculative investments than would otherwise be the case. In addition, as of November 30, 2009 Mr. Elsztain was the beneficial owner, due to his indirect shareholding through Cresud of 57.33% (on a fully diluted basis) of the common shares of IRSA, an Argentine company that currently owns approximately 65.86% (on a fully diluted basis) of the common shares of its subsidiary Alto Palermo Sociedad Anónima (APSA) (Alto Palermo or APSA) whose chief executive officer is Mr. Alejandro G. Elsztain, Mr. Eduardo Elsztain s brother and our chief executive officer of Cresud. 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 depend on our chairman and senior management.

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

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

The Investment Company Act may limit our future activities.

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

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

In recent years we have made a significant minority investment in the capital stock of IRSA, an Argentine company engaged in a range of real estate activities. As of June 30, 2009, we owned approximately 55.64% of IRSA s outstanding shares. Although we believe we are not an investment company for purposes of the Investment Company Act, our belief is subject to substantial uncertainty, and we cannot give you any assurance that we would not be determined to be an investment company under the Investment Company Act. As a result, the uncertainty regarding our status under the Investment Company Act may adversely affect our ability to offer and sell securities in the United States or to U.S. persons. The United States capital markets have historically been an important source of funding for us, and our future financing ability may be adversely affected by a lack of access to the United States capital markets. If an exemption under the Investment Company Act is unavailable to us in the future and we desire to access the U.S. capital markets, our only recourse would be to file an application to the SEC for an exemption from the provisions of the Investment Company Act which is a lengthy and highly uncertain process.

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

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

We currently have and in the past have had certain investments in Argentine government debt, corporate debt, and equity securities. In particular, we hold a significant interest in IRSA, an Argentine company that has suffered material losses, particularly during 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.

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

As of June 30, 2009, our investment in BrasilAgro represented 3.6% of our total consolidated assets. 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 November 30, 2009, we owned 22.89% of the outstanding common shares of BrasilAgro.

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

We have a broad and opportunistic business strategy and you should understand that we may invest in countries other than Argentina and Brazil including countries in other emerging markets outside Latin America such as Africa. As a result, it is not possible at this time to identify all risk factors that may affect our future operations and the value of our common shares and ADSs.

We will be subject to extensive environmental regulation.

Our activities are subject to a wide set of federal, state and local laws and regulations relating to the protection of the environment, which impose various environmental obligations. Obligations include compulsory maintenance of certain preserved areas in our properties, management of pesticides and associated hazardous waste and the acquisition of permits for water use. Our proposed business is likely to involve the handling and use of hazardous materials that may cause the emission of certain regulated substances. In addition, the storage and processing of our products may create hazardous conditions. We could be exposed to criminal and administrative penalties, in addition to the obligation to remedy the adverse affects 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, 2009, we owned land reserves of 238,012 hectares, most of which are located in under-utilized areas where agricultural production is not fully developed. Existing or future environmental regulations may prevent us from completely developing our land reserves, requiring us to maintain a portion of such land as unproductive land reserves. In accordance with legislative requirements, we have applied for approval to develop parts of our land reserves, to the extent allowed. We cannot assure you that current or future development applications will be approved, and if so, to what extent we will be allowed to develop our land.

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

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

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

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.

Risks Relating to our Real Estate Business

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

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

- downturns in the national, regional and local economic climate;
- volatility and decline in discretionary spending;
- competition from other office, industrial and commercial buildings;

local real estate market conditions, such as oversupply or reduction in demand for office, or other commercial or industrial space;

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, utilities, real estate taxes, state and local taxes and heightened security costs;

civil disturbances, earthquakes and other natural disasters, or terrorist acts or acts of war which may result in uninsured or underinsured losses;

significant expenditures associated with each investment, such as debt service payments, real estate taxes, insurance and maintenance costs which are generally not reduced when circumstances cause a reduction in revenues from a property;

declines in the financial condition of our tenants and our ability to collect rents from our tenants;

changes in our ability or our tenants ability to provide for adequate maintenance and insurance, possibly decreasing the useful life of and revenue from property; and

law reforms and governmental regulations (such as those governing usage, zoning and real property taxes).

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

Our investment in property development or redevelopment may be less profitable than we anticipate.

We are engaged in the development and construction of office space, retail and residential properties, frequently through third-party contractors. Risks associated with our development, re-development and construction activities include the following, among others:

abandonment of development opportunities and renovation proposals;

construction costs of a project may exceed our original estimates for reasons including raises in interest rates or increases in the costs of materials and labor, making a project unprofitable;

occupancy rates and rents at newly completed properties may fluctuate depending on a number of factors, including market and economic conditions, resulting in lower than projected rental rates and a corresponding lower return on our investment;

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

the unavailability of favorable financing alternatives in the private and public debt markets;

- sale prices for residential units may be insufficient to cover development costs;
- construction and lease-up may not be completed on schedule, resulting in increased debt service expense and construction costs; and
- we may be unable to obtain, or may face delays in obtaining, necessary zoning, land-use, building, occupancy and other required governmental permits and authorizations, or we may be affected by building moratoria and anti-growth legislation.

The real estate industry in Argentina is increasingly competitive.

Our real estate and construction activities are highly concentrated in the Buenos Aires metropolitan area, where the real estate market is highly competitive due to 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-entry barriers 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 us in seeking land for acquisition, financial resources for development and prospective purchasers and tenants. Other companies, including joint ventures of foreign and local companies, have become increasingly active in the real estate business in Argentina, further increasing this competition. To the extent that one or more of our competitors are able to acquire and develop desirable properties, as a result of greater financial resources or otherwise, our business could be materially and adversely affected. If we are not able to respond to such pressures as promptly as our competitors, or the level of competition increases, our financial condition and results of our operations could be adversely affected.

In addition, many of our shopping centers are located in close proximity to other shopping centers, numerous retail stores and residential properties. The number of comparable properties located in the vicinity of our property could have a material adverse effect on our ability to lease retail space in our shopping centers or sell units in our residential complexes and on the rent price or the sale price that we are able to charge. We can not assure you that other shopping center operators, including international shopping center operators, will not invest in Argentina in the near future. As additional companies become active in the Argentine shopping center market, such increased competition could have a material adverse effect on our results of operations.

We face risks associated with property acquisitions.

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

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

we may not be able to efficiently integrate acquired properties, particularly portfolios of properties, into our organization and to manage new properties in a way that allows us to realize cost savings and synergies.

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

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

Acquired properties may subject us to unknown liabilities.

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

liabilities for clean-up of undisclosed environmental contamination;

law reforms and governmental regulations (such as those governing usage, zoning and real property taxes); and

liabilities incurred in the ordinary course of business.

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

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

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

Demand for our premium properties which target the high-income demographic may be insufficient.

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

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

Real estate investments are relatively illiquid and this tends to limit our ability to vary our portfolio promptly in response to changes in economic or other conditions. In addition, significant expenditures associated with each equity investment, such as mortgage payments, real estate taxes and maintenance costs, are generally not reduced when circumstances cause a reduction in income from the investment. If income from a property declines while the related expenses do not decline, our business would be adversely affected. Some of our properties are mortgaged to secure our indebtedness, and if we are unable to meet our mortgage payments, we could lose money as a result of foreclosure on such mortgages. In addition, if it becomes necessary or desirable for us to dispose of one or more of the mortgaged properties, it might not be able to obtain a release of the lien on the mortgaged property without payment of the associated debt. The foreclosure of a mortgage on a property or inability to sell a property could adversely affect our business. In transactions of this kind, we may also agree, subject to certain exceptions, not to sell the acquired properties for significant periods of time.

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

The success of our business and profitability of our operations are dependent on continued investment in the real estate markets and access to capital and debt financing. A long term crisis of confidence in real estate investments and lack of available credit for acquisitions would be likely to constrain our business growth. As part of our business goals, we intend to increase our properties portfolio with strategic acquisitions of core properties at advantageous prices, and core plus and value added properties where we believe we can bring-necessary expertise to enhance property values. In order to pursue acquisitions, we need access to equity capital and also debt financing. Current disruptions in the financial markets, including the bankruptcy and restructuring of major financial institutions, may adversely impact our ability to refinance existing debt and the availability and cost of credit in the near future. Any consideration of sales of existing properties or portfolio interests may be tempered by decreasing property values. Our ability to make scheduled payments or to refinance our obligations with respect to indebtedness depends on our operating and financial performance, which in turn is subject to prevailing economic conditions. If a recurrence of the disruptions in financial markets presents itself in the future, there can be no assurances that government responses to the disruptions in the financial markets will restore investor confidence, stabilize the markets or increase liquidity and the availability of credit.

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

We had, and expect to continue to have, substantial liquidity and capital resource requirements to finance our Real Estate business. As of June 30, 2009, our Real Estate Business debt amounted to Ps.1,395.8 million (including accrued and unpaid interests, deferred financing costs and mortgages payable).

Although our Real Estate Business is generating sufficient funds from operating cash flows to satisfy our debt service requirements and our capacity to obtain new financing is adequate given the current availability of the credit lines with the Banks. We cannot assure you that the Real Estate Business will maintain such cash flow and adequate financial capacity in the future.

The fact that we are leveraged may affect our ability to refinance existing debt or borrow additional funds to finance working capital, acquisitions and capital expenditures. In addition, the recurrent disruptions in the global financial markets, including the bankruptcy and restructuring of major financial institutions, may adversely

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impact our ability to refinance existing debt and the availability and cost of credit in the future. In such conditions, access to capital and debt financing options may be restricted and it may be uncertain how long these economic circumstances may last.

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

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

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

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

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

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

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

We are subject to risks inherent to the operation of shopping centers that may affect our profitability.

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

- the accessibility and the attractiveness of the area where the shopping center is located;
- the intrinsic attractiveness of the shopping center;
- the flow of people and the level of sales of each shopping center rental unit;
- increasing competition from internet sales;

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- the amount of rent collected from each shopping center rental unit; and

- the fluctuations in occupancy levels in the shopping centers.

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

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

If certain of our most important tenants were to experience financial difficulties, including bankruptcy, insolvency or a general downturn of business, or if we simply failed to retain their patronage, our business could be adversely affected. Our shopping centers and, to a lesser extent, our office buildings are typically anchored by significant tenants, such as well known department stores who generate shopping traffic at the mall. A decision by such significant tenants to cease operations at our shopping centers or office buildings could have a material adverse effect on the revenues and profitability of the affected segment and, by extension, on our financial condition and results of operations. The closing of one or more significant tenants may induce other major tenants at an affected property to terminate their leases, to seek rent relief and/or cease operating their stores or otherwise adversely affect occupancy at the property. In addition, key tenants at one or more properties might terminate their leases as a result of mergers, acquisitions, consolidations, dispositions or bankruptcies in the retail industry. The bankruptcy and/or closure of one or more significant tenants, if we are not able to successfully re-lease the affected space, could have a material adverse effect on both the operating revenues and underlying value of the properties involved.

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

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

Our development, redevelopment and construction activities are inherently risky and may render projects unprofitable for us.

In the development, renovation and construction of shopping centers and residential apartment complexes, we generally hire third-party contractors. Risks associated with our development, renovation and construction activities include:

- significant time lag between commencement and completion subjects us to greater risks due to fluctuation in the general economy;

- abandonment of development opportunities and renovation proposals;

- construction costs of a project may exceed original estimates, making a project unprofitable;

- occupancy rates and rents of a newly completed project may not be sufficient to make the project profitable;

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

- we may be unable to obtain financing on favorable terms for the development of a project;

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

- construction and lease-up 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;

- we may be unable to obtain or may face delays in obtaining all necessary zoning, land use, building, occupancy and other required governmental permits and authorizations; and

- we may incur in capital expenditures that could result in considerable time consuming efforts and which may never be completed due to government restrictions; contractors claims for the enforcement of labor laws in Argentina (sections 30, 31, 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. Due to such need they signed 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 the last years there have been several courts which denied the existence of independence in those labors relationships and ruled in favor of a plaintiff (employee) by means of declaring the existence of joint and several liabilities between both companies.

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

We are subject to payment default risks due to our investments in consumer financing through our subsidiary APSA.

Through our subsidiary APSA we owned as of June 30, 2009 a 93.4% interest in Tarshop S.A. (Tarshop), a company dedicated to the consumer finance business that originates credit cards accounts and personal loans to promote sales from APSA s tenants and other selected retailers. For the fiscal year ended June 30, 2009, Tarshop had net revenues of Ps 236.8 million, representing 19.4 % of our consolidated revenues for such fiscal period.

Consumer financing businesses such as Tarshop are adversely affected by defaults or late payments by borrowers and card holders on credit card accounts, difficulties enforcing collection of payments, fraudulent accounts and the writing off of past due receivables. The present rates of delinquency, collection proceedings and loss of receivables may vary and be affected by numerous factors beyond our control, which, among others, include:

- adverse changes in the Argentine economy;

- adverse changes in the regional economies;

political instability;

changes in regulations;

increases in unemployment; and

erosion of real and/or nominal salaries.

These and other factors may have an adverse effect on rates of delinquency, collections and receivables, any one or more of which could have a material adverse effect on the results of operations of Tarshop s consumer finance business. In addition, if our consumer finance business is adversely affected by one or more of the above factors, the quality of our securitized receivables is also likely to be adversely affected. Therefore, we could be adversely affected to the extent that we hold an interest in any such securitized receivables.

Tarshop s accounts receivables, which consist of cash flows from consumer financing and personal loans, are placed into a number of trust accounts that securitize those receivables. Tarshop sells beneficial interests in these trust accounts through the sale of debt certificates, but remains a beneficiary of these trust accounts by holding Ps.147.0 million in equity certificates as of June 30, 2009.

The securitization market is still open and Tarshop completed securitization programs during the recent months with no disruptions. As of June 30, 2009, Tarshop credit risk exposure is contractually limited to the subordinated retained interests representing Ps.147.0 million and Ps.7.8 million escrow reserves for losses. Due to the factors mentioned above, as of June 30, 2009, Tarshop recorded another-than-temporary impairment charge of Ps.12.1 million to the retained interests to reflect current fair value.

We cannot assure you that collection of payments from credit card accounts and personal loans will be sufficient to distribute earnings to holders of participation certificates, which would reduce Tarshop s earnings. In addition, local authorities might increase credit card or trust account regulations, negatively affecting Tarshop s revenues and results of operation. We may also face higher liquidity risks on financial trusts.

Our subordinated interest in Tarshop s securitized assets may have no value.

Through APSA s subsidiary Tarshop we take part in the consumer financing business. Tarshop operates in the issuance, processing and marketing of our own non-banking credit card called *Tarjeta Shopping* and grants personal loans. Tarshop s accounts receivables, which consist of cash flows from consumer financing and personal loans, are placed into a number of financial trusts that securitize those receivables. These financial trusts issue trust debt securities that are placed through public offerings, while Tarshop keeps a subordinated interest by holding participation certificates. Such participation certificates amounted to Ps.147.0 million as of June 30, 2009.

We cannot assure you that collection of payments from credit card accounts and personal loans will be sufficient to recover the participation certificates, which would reduce Tarshop s earnings. In addition, local authorities might increase credit card or trust account regulations, negatively affecting Tarshop s revenues and results of operations.

We are subject to risks affecting the hotel industry.

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

In addition, the profitability of our hotels depends on:

our ability to form successful relationships with international and local operators to run our hotels;

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- changes in tourism and travel patterns, including seasonal changes;

- 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.

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

Our activities are subject to federal, state and municipal laws, and to regulations, authorizations and licenses required with respect to construction, zoning, use of the soil, environmental protection and historical patrimony, consumer protection and other requirements, all of which affect our ability to acquire land, buildings and shopping centers, develop and build projects and negotiate with customers. In addition, companies in this industry are subject to increasing tax rates, the creation of new taxes and changes in the taxation regime. We are required to obtain licenses and authorizations with different governmental authorities in order to carry out our projects. Maintaining our licenses and authorizations can be a costly provision. In the case of non-compliance with such laws, regulations, licenses and authorizations, we may face fines, project shutdowns, cancellation of licenses and revocation of authorizations.

In addition, public authorities may issue new and stricter standards, or enforce or interpret existing laws and regulations in a more restrictive manner, which may force us to make expenditures to comply with such new rules. Development activities are also subject to risks relating to potential delays or an inability to obtain all necessary zoning, environmental, land-use, development, building, occupancy and other required governmental permits and authorizations. Any such delays or failures to obtain such government approvals may have an adverse effect on our business.

In the past, the Argentine government imposed strict and burdensome regulations regarding leases in response to housing shortages, high rates of inflation and difficulties in accessing credit. Such regulations limited or prohibited increases on rental prices and prohibited eviction of tenants, even for failure to pay rent. Most of our leases provide that the tenants pay all costs and taxes related to their respective leased areas. In the event of a significant increase in the amount of such costs and taxes, the Argentine government may respond to political pressure to intervene by regulating this practice, thereby negatively affecting our rental income. We cannot assure you that the Argentine government will not impose similar or other regulations in the future. Changes in existing laws or the enactment of new laws governing the ownership, operation or leasing of properties in Argentina could negatively affect the Argentine real estate market and the rental market and materially and adversely affect our operations and profitability.

Lease Law No. 23,091 imposes restrictions that limit our flexibility.

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

- lease agreements may not contain inflation adjustment clauses based on consumer price indexes or wholesale price indexes. Although many of our lease agreements contain readjustment clauses, these are not based on an official index nor do they reflect the inflation index. In the event of litigation it may be impossible for us to adjust the amounts owed to us under our lease agreements;

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

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

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

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

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.

We have 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 proceedings, and in such case, they would likely have a material and adverse effect on our financial condition and results of operation.

Our assets are concentrated in the Buenos Aires area.

Our principal properties are located in the City of Buenos Aires and the Province of Buenos Aires and a substantial portion of our revenues are derived from such properties. For the fiscal year ended June 30, 2009, more than 88% of our consolidated revenues were derived from properties in the Buenos Aires metropolitan area including the City of Buenos Aires. Although we own properties and may acquire or develop additional properties outside Buenos Aires, we expect to continue to depend to a large extent on economic conditions affecting those areas, and therefore, an economic downturn in those areas could have a material adverse effect on our financial condition and results of operations.

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

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

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

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

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

We face risks associated with the Real Estate Business expansion in the United States.

On July 2, 2008, we acquired a 30% interest in Metropolitan, a limited liability company organized under the laws of Delaware, United States of America;

Metropolitan s main asset is the Lipstick Building, a 34-story building located on Third Avenue between 53rd and 54th streets in Manhattan, New York City. Metropolitan has incurred debt in connection with the Lipstick Building. *For more information about Metropolitan, please see Results of operation of the Real Estate Business for the fiscal year ended June 30, 2008 and 2009 and Gain/(Loss) on equity investee .*

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Also, after the end of fiscal year 2009, on August 4, 2009, we acquired a 10.4% equity interest in Hersha Hospitality Trust (Hersha), whose main assets are 73 hotels. Most of these hotels are located in the east coast of the U.S. *For more information about Hersha, please see Recent Developments and Significant Changes .*

The U.S. markets have been recently experiencing extreme dislocations and a severe contraction in available liquidity globally as important segments of the credit markets were frozen. Global financial markets have been disrupted by, among other things, volatility in security prices, rating downgrades and declining valuations, and this disruption has been acute in real estate and related markets. This disruption has lead to a decline in business and consumer confidence and increased unemployment and has precipitated an economic recession around the globe. As a consequence, owners and operators of commercial real estate, including hotels and resorts, and commercial real estate properties as offices, may continue to experience declines in business and real estate values in the U.S. or elsewhere. We are unable to predict the likely duration or severity of the effects of the disruption in financial markets and adverse economic conditions and the effects they may have on our business, financial condition and results of operations.

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

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

In 1991, Indarsa had purchased 90% of Tandanor, a formerly government owned company, which owned a large piece of land near Puerto Madero of approximately 8 hectares, divided into two spaces: Planta 1 and 2. After the purchase of Tandanor by Indarsa, in June 1993 Tandanor sold Planta 1 to Puerto Retiro, for a sum of US$18 million pursuant to a valuation performed by J.L. Ramos, a well-known real estate brokerage firm in Argentina. Indarsa failed to pay to the Argentine government the outstanding price for its purchase of the stock of Tandanor. As a result the Ministry of Defense requested the bankruptcy of Indarsa. Since the only asset of Indarsa was its holding in Tandanor, the Argentine government is seeking to extend the bankruptcy to the companies or individuals which, according to its view, acted as a single economic group. In particular, the Argentine government has requested the extension of the bankruptcy to Puerto Retiro which acquired Planta 1 from Tandanor.

The time for producing evidence in relation to these legal proceeding has expired. The parties have submitted their closing arguments and are awaiting a final judgment. However, the judge has delayed his decision until a final judgment in the criminal proceedings against the former Defense Minister and former directors of Indarsa has been delivered. We cannot give you any assurance that we will prevail in this proceeding, and if the plaintiff s claim is upheld by the courts, all of the assets of Puerto Retiro would likely be used to pay Indarsa s debts and our investment in Puerto Retiro, valued at Ps.54.4 million as of June 30, 2009, would be lost. As of June 30, 2009, we had not established any reserve in respect of this contingency.

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

We develop and acquire properties in joint ventures with other persons or entities when we believe circumstances warrant the use of such structures. For example, in the Shopping centers segment, as of June 30, 2009, we owned 63.3% of Alto Palermo, while Parque Arauco S.A. owns 29.6 %. We through our subsidiary Alto Palermo, own 80% of Panamerican Mall S.A., while 20% is owned by Centro Comercial Panamericano S.A. In the Development and sale of properties segment, we have ownership of 50% in Puerto Retiro and Cyrsa S.A. (CYRSA). In addition we have a 90% stake in Solares de Santa María S.A. while Unicity S.A. owns the remaining 10%. In the Hotel operations segment, we own 50% of the Llao Llao Hotel, while another 50% is owned by the Sutton Group. Through IRSA we owned 80% of the Hotel Libertador, while 20% is owned by Hoteles Sheraton de Argentina S.A. We owned 76.34% of Hotel Intercontinental. In the Financial operations and others segment, we owned 21.34% of Banco Hipotecario (without considering treasury shares), while the Argentine government has a controlling interest in it. Finally, after the end of fiscal year ended June 30, 2008, we acquired a 30% interest in Metropolitan, which as of June 30, 2009, is still held by it.

We could become engaged in a dispute with one or more of our joint venture partners that might affect our ability to operate a jointly-owned property. Moreover, our joint venture partners may, at any time, have business, economic or other objectives that are inconsistent with our objectives, including objectives that relate to the timing and terms of any sale or refinancing of a property. For example, the approval of certain of the other investors is required with respect to operating budgets and refinancing, encumbering, expanding or selling any of these properties. In some instances, our joint venture partners may have competing interests in our markets that could create conflicts of interest. If the objectives of our joint venture partners are inconsistent with our own objectives, we will not be able to act exclusively in our interests.

If one or more of the investors in any of our jointly owned properties were to experience financial difficulties, including bankruptcy, insolvency or a general downturn of business, there could be an adverse effect on the relevant property or properties and in turn, on our financial performance. Should a joint venture partner be declared bankrupt, we could become liable for our partner s share of joint venture liabilities.

We may not be able to recover the mortgage loans we have provided to purchasers of units in our residential development properties.

In recent years, we have provided mortgage financing to purchasers of units in our residential development properties. Before January 2002, our mortgage loans were U.S. dollar-denominated and accrued interest at a fixed interest rate generally ranging from 10% to 15% per year and for terms generally ranging from one to fifteen years. However, on March 13, 2002, the Central Bank converted all U.S. dollar denominated debts into Peso denominated debts at the exchange rate of Ps.1.00 =US$1.00. In addition, the Central Bank imposed maximum interest rates of 3% for residential mortgage loans to individuals and 6% for mortgage loans to businesses. These regulations adversely affected the U.S. dollar value of our outstanding mortgages.

Beside risks normally associated with providing mortgage financing, including the risk of default on principal and interest, other regulatory risks such as suspension of foreclosure enforcement proceedings could adversely affect our cash flow. Argentine law imposes significant restrictions on our ability to foreclose and auction properties. Thus, when there is a default under a mortgage, we do not have the right to foreclose on the unit. Instead, in accordance with Law No. 24,441, in order to reacquire a property we are required to purchase it at a court ordered public auction, or at an out-of-court auction. However, the Public Emergency Law temporarily suspended all judicial and non-judicial mortgage and pledge enforcement actions. Several laws and decrees extended this mortgage foreclosure suspension period. On June 14, 2006, a new suspension period was approved, which established a 180-day suspension period for mortgage foreclosure proceedings affecting debtors only dwellings and where the original loan was no higher than Ps.100,000.

Law No. 25,798, which was enacted on November 6, 2003 and is regulated by Decrees No. 1284/2003 and 352/2004, among others, establishes a system to restructure debts resulting from unpaid mortgage loans, by creating a trust by means of which the Executive Branch will refinance the mortgage debts and reschedule the maturity date. Financial institutions were given up to 60 business days from the enactment of the law to accept said terms. This law was partially modified by Law No. 25,908, enacted on July 13, 2004, which included various conditions referring to the incorporation into this system of the mortgage loans that were in judicial or private execution proceedings. The parties to mortgage loans were given a term to express their adhesion to such system. The term for financial institutions to accept the system was extended in several occasions by Decree No. 352/2004, Law No. 26,062, Law No. 26,084 and Law No. 26,103. Law No. 26,167, enacted in November 2006, established a special proceeding to replace ordinary trials for the enforcement of some mortgage loans. Such special proceedings give creditors ten days to inform the debtor the amounts owed to them and thereafter agree with the debtor on the amount and terms of payment. In case of failure by the parties to reach an agreement, payment conditions are to be determined by the judge. Also, this law established the suspension of the execution of judicial judgements, judicial and extrajudicial auctions, evictions and other proceedings related to the mortgage loans contemplated in such law.

We cannot assure you that laws and regulations relating to foreclosure on real estate will not continue to change in the future or that any changes will not adversely affect our business, financial condition or result of operations.

Due to the currency mismatches between IRSA s assets and liabilities, we have significant currency exposure.

As of June 30, 2009, the majority of our liabilities, such as IRSA s 8.5% notes due 2017, APSA s Series I Notes, the mortgage loan to our subsidiary Hoteles Argentinos S.A. and APSA s convertible notes are denominated in U.S. dollars while a significant portion of our revenues and assets as of June 30, 2009, are denominated in Pesos. This currency gap exposes us to a risk of exchange rate volatility, which would negatively affect our financial results if the dollar were to appreciate against the Peso. Any further depreciation of the Peso against the U.S. dollar will correspondingly increase the amount of our debt in Pesos, with further adverse effects on our results of operation and financial condition and may increase the collection risk of our leases and other receivables from our tenants and mortgage debtors, most of whom have Peso-denominated revenues.

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

During the last years, 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. We believe that our 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 our shopping centers could be materially diminished, having a material adverse effect on our financial condition, results of operations and business prospects.

Risks Relating to IRSA s Investment in Banco Hipotecario

IRSA s investment in Banco Hipotecario is subject to risks affecting Argentina s financial system.

As of June 30, 2009, IRSA owned 21,34% of the outstanding capital stock of Banco Hipotecario (without considering treasury shares) which represented 10.9% of our consolidated assets at such date. Substantially all of Banco Hipotecario s operations, properties and customers are located in Argentina. Accordingly, the quality of Banco Hipotecario s loan portfolio, financial condition and results of operations depend to a significant extent on economic and political conditions prevailing in Argentina. The political and economic crisis in Argentina during 2002 and 2003 and the Argentine government s actions to address it have had and may continue to have a material adverse effect on Banco Hipotecario s business, financial condition and results of operations.

Financial institutions are subject to significant regulation relating to functions that historically have been mandated by the Central Bank and other regulatory authorities. Measures adopted by the Central Bank have had, and future regulations may have, a material adverse effect on Banco Hipotecario s financial condition and results of operations.

Laws and decrees implemented during the economic crisis in 2001 and 2002 have substantially altered contractual obligations affecting Argentina s financial sector. Recently, the Argentine Congress has considered various initiatives intended to reduce or eliminate a portion of the mortgage loan portfolio on the debt owed to Banco Hipotecario. Also, there have been certain initiatives intended to review the terms pursuant to which Banco Hipotecario was privatized. As a result, we cannot assure you that the Argentine legislature will not enact new laws that will have a significant adverse effect on Banco Hipotecario s shareholders equity or that the Argentine government would compensate Banco Hipotecario for the resulting loss. These uncertainties could have a material adverse effect on the value of our investment in Banco Hipotecario.

Over the last calendar year, the financial markets in the most important countries in the world were affected by volatility, lack of liquidity and credit, which entailed a significant drop in international stock indexes, and an economic slow-down started to become evident worldwide. This situation is gradually reverting back to normal during 2009. Our management is closely monitoring the effects in order to implement the necessary measures to minimize the impact of the financial crisis on our operations.

Banco Hipotecario relies heavily on mortgage lending and the value of our investment in it depends in part on its ability to implement successfully its new business diversification strategy.

Historically, Banco Hipotecario has been engaged exclusively in mortgage lending and related activities. As a result, factors having an adverse effect on the mortgage market have a greater adverse impact on Banco Hipotecario than on its more diversified competitors. Due to its historic concentration in this recession-sensitive sector, Banco Hipotecario is particularly vulnerable to adverse changes in economic and market conditions in Argentina due to their adverse effect on (i) demand for new mortgage loans and (ii) the asset quality of outstanding mortgage loans. In the past economic crisis had a material adverse effect on its liquidity, financial conditions and results of operations. In addition, a number of governmental measures that apply to the financial sector have had a material adverse effect particularly on Banco Hipotecario, impairing its financial condition.

In light of the economic conditions in Argentina in the foreseeable future, Banco Hipotecario cannot rely exclusively on mortgage lending and related services. Accordingly, Banco Hipotecario has adapted its business strategy to confront the challenges of these new market conditions. Banco Hipotecario s ability to diversify its operation will depend on how successfully it diversifies its product offerings and transforms itself into a financial institution that no longer relies solely on mortgage lending.

With regard to Argentina, after June 2008 stock markets reflected significant drops in the prices of government and corporate securities, as well as an increase in interest rates, country risk and exchange rates. Subsequently, the securities issued by National Government have appreciated significantly during 2009.

In the past years Banco Hipotecario has made several investments that are designed to enable it to develop retail banking activities. Banco Hipotecario must overcome significant challenges to achieve this goal including, among others, its lack of experience and client relationships outside the mortgage sector, the existence of large, well-positioned competitors and significant political, regulatory and economic uncertainties in Argentina. As a result, we cannot give you any assurance that Banco Hipotecario will be successful in developing significant retail banking activities in the foreseeable future, if at all. If Banco Hipotecario is unable to diversify its operations by developing its retail banking activities and other non-mortgage banking activities, the value of our substantial investment in Banco Hipotecario would likely be materially and adversely affected.

Banco Hipotecario s mortgage loan portfolio is not adequately indexed for inflation and any significant increase in inflation could have a material adverse effect on its financial condition.

In accordance with Emergency Decree No. 214/02 and its implementing regulations, pesified assets and liabilities were adjusted for inflation as of February 3, 2002 by application of the Coeficiente de Estabilización de Referencia, or CER, a consumer price inflation coefficient. On May 6, 2002, the Executive Branch issued a decree providing that mortgages originally denominated in U.S. dollars and converted into Pesos pursuant to Decree No. 214/2002 and mortgages on property constituting a borrower s sole family residence may be adjusted for inflation only pursuant to a coefficient based on salary variation, the CVS, which during 2002 was significantly less than inflation as measured by the wholesale price index, or WPI. Through December 31, 2002, the WPI and the CVS posted cumulative increases of 118.2% and 0.2%, respectively, and the CER increased 41.4%. During 2003, inflation rose by 4.3% as measured by the WPI, 3.7% as measured by the CER and 15.8% as measured by the CVS. As a result, only 10% of Banco Hipotecario s mortgages loans are adjusted for inflation in accordance with the CER, 30% are adjusted in accordance with the CVS and 60% remain entirely unindexed. Additionally, pursuant to Law No. 25,796, Section 1, repealed effective April 1, 2004, the CVS as an indexation mechanism applied to the relevant portion of Banco Hipotecario s mortgages loans. The CVS increased until it was repealed

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by 5.3%, whereas the increase in CER was 5.5% as of December 31, 2004 and the WPI increased by 7.9%. During 2005, the CER increased to 11.75% and the WPI 10.7%, while in 2006 the CER and WPI increased by 10.3% and 7.1%, respectively. In 2007, CER and WPI increased by 8.5% and 14.6% respectively, while in 2008 the CER and WPI increased by 8% and 9% respectively. For the six month period ended June 30,2009 the CER increased 2.6%.

Argentina s history prior to the adoption of the Convertibility Law, which set the exchange rate of the Argentine Peso to the U.S. dollar at Ps.1.00 = US$1.00, raises serious doubts as to the ability of the Argentine government to maintain a strict monetary policy and control inflation. As a result of the high inflation in Argentina from 2002 onwards, Banco Hipotecario s mortgage loan portfolio experienced a significant decrease in value and if inflation continues increasing, it might continue to undergo a major decrease in value. Accordingly, an increase in Banco Hipotecario s funding and other costs due to inflation might not be offset by indexation, which could adversely affect its liquidity and results of operations.

Legislation limiting Banco Hipotecario s ability to foreclose on mortgaged collateral may have an adverse effect on it.

Like other mortgage lenders, the ability to foreclose on mortgaged collateral to recover on delinquent mortgage loans impacts the conduct of Banco Hipotecario s business. In February 2002, the Argentine government amended Argentina s Bankruptcy Law, suspending bankruptcies and foreclosures on real estate that constitutes the debtor s primary residence, initially for a six-month period and subsequently extended until November 14, 2002. Since 2003, the Argentine government has approved various laws that have suspended, in some cases, foreclosures for a period of time in accordance with Law No. 25,972 enacted on December 18, 2004, and, in some cases, temporarily suspended all judicial and non-judicial mortgage and pledge enforcement actions. Several laws and decrees extended this mortgage foreclosure suspension period. Most recently, on June 14, 2006, Argentine Law 26,103 was enacted which established a 180-day suspension period for mortgage foreclosure proceedings affecting debtors where the subject mortgage related to the debtor s sole residence and where the original loan was not greater than Ps.100,000.

Law No. 25,798, enacted November 5, 2003, and implemented by Decrees No. 1284/2003 and No. 352/2004, among others, sets forth a system to restructure delinquent mortgage payments and to prevent foreclosures on a debtor s sole residence (the Mortgage Refinancing System). The Mortgage Refinancing System establishes a trust composed of assets contributed by the Argentine government and income from restructured mortgage loans. *Banco de la Nación Argentina*, in its capacity as trustee of said trust, enters into debt restructuring agreements with delinquent mortgage debtors establishing the following terms: (i) a grace period on the mortgage loan of one year and (ii) monthly installment payments on the mortgage loan not to exceed 30% of the aggregate income of the family living in the mortgaged property. *Banco de la Nación Argentina* then subrogates the mortgagee s rights against the debtor, by issuing notes delivered to the mortgagee to settle the amounts outstanding on the mortgage loan. The sum restructured under the Mortgage Refinancing System may not exceed the appraisal value of the property securing the mortgage after deducting any debts for taxes and maintenance. The Mortgage Refinancing System was established for a limited period of time, during which parties to mortgage loan agreements could opt to participate and was subsequently extended by a number of decrees and laws.

Law No. 26,167 enacted on November 29, 2006, suspended foreclosures and also established a special proceeding for the enforcement of certain mortgage loans. Such special proceedings give creditors a 10-day period to inform the court of the amounts owed under the mortgage loans. Soon thereafter, the judge will call the parties for a hearing in order to reach an agreement on the amount and terms of payment thereunder. In case of failure by the parties to reach such agreement, they will have a 30-day negotiation period, and if the negotiations do not result in an agreement, then, payment and conditions will be determined by the courts.

On November 29, 2006, Law No. 26,177 created the *Unidad de Reestructuración*, a government agency responsible for the revision of each of the mortgage loans granted by the state-owned Banco Hipotecario Nacional, the predecessor of Banco Hipotecario S.A., before the enactment of the Convertibility Law in 1991. The *Unidad de Reestructuración* also makes non-binding recommendations to facilitate the restructuring of such mortgage loans. If no agreement is reached, the *Unidad de Reestructuración* will submit a proposal to the National Congress, which may recommend forgiveness or other write-off of such loans, extensions of their scheduled maturities or other subsidies that adversely affect Banco Hipotecario s ability to foreclose on such mortgage loans.

The government enacted Law No. 26,313, establishing a mandatory restructuring of certain mortgage loans that were granted by the former Banco Hipotecario Nacional prior to April 1, 1991, for the purchase, improvement, construction and/or expansion of single family residences, or for the repayment of loans that were used for any of such purposes.

We cannot assure you that the Argentine government will not enact further new laws restricting Banco Hipotecario s ability to enforce its rights as creditor. Any such limitation on its ability to successfully implement foreclosures could have a material adverse effect on its financial condition and results of operations.

Banco Hipotecario s non-mortgage loan portfolio has grown rapidly and is concentrated in the low- and middle-income segments.

As a result of Banco Hipotecario s strategy to diversify its banking operations and develop retail and other non-mortgage banking activities, in recent years its portfolio of non-mortgage loans has grown rapidly. During the period between June 30, 2007 and June 30, 2009, Banco Hipotecario s portfolio of non-mortgage loans grew 29.7% from Ps.1,855.9 million to Ps.2,407.5 million. A substantial portion of its portfolio of non-mortgage loans consists of loans to low- and middle-income individuals and, to a lesser extent, middle-market companies. These individuals and companies are likely to be more seriously affected by adverse developments in the Argentine economy than high income individuals and large corporations. Consequently, in the future Banco Hipotecario may experience higher levels of past due non-mortgage loans that would likely result in increased provisions for loan losses. In addition, large-scale lending to low- and middle-income individuals and middle-market companies is a new business activity for Banco Hipotecario, and as a result its experience and loan-loss data for such loans are necessarily limited. Therefore, we cannot assure you that the levels of past due non-mortgage loans and resulting charge-offs will not increase materially in the future.

Given the current valuation criteria of the Central Bank for the recording of BODEN and other goverment securities on Banco Hipotecario s balance sheets, its most recent financial statements may not be indicative of its current financial condition.

Banco Hipotecario prepares its financial statements in accordance with Central Bank accounting rules which differ in certain material respects from Argentine GAAP. During 2002, Central Bank accounting rules were modified in several respects that materially increased certain discrepancies between Central Bank accounting rules and Argentine GAAP. In accordance with Central Bank accounting rules, Banco Hipotecario s consolidated balance sheet as of June 30, 2009 includes US$563.4 million of BODEN issued by the Argentine government as compensation for pesification. Banco Hipotecario s consolidated balance sheet as of June 30, 2009 also includes Ps.20.7 million representing Central Bank borrowings which Banco Hipotecario incurred to finance its acquisition of the additional BODEN. In accordance with Central Bank accounting rules, the BODEN reflected on Banco Hipotecario s consolidated balance sheet as of June 30, 2009 have been recorded at their technical residual value plus accrued interest.

Due to interest rate and currency mismatches of its assets and liabilities, Banco Hipotecario has significant currency exposure.

As of June 30, 2009, Banco Hipotecario s foreign currency-denominated liabilities exceeded its foreign-currency-denominated assets by approximately US$167.3 million. Substantially all of Banco Hipotecario s foreign currency assets consist of dollar-denominated BODEN, but Banco Hipotecario s liabilities in foreign currencies are denominated in both U.S. Dollars and Euros. This currency gap exposes Banco Hipotecario to risk of exchange rate volatility which would negatively affect Banco Hipotecario s financial results if the U.S. Dollar were to depreciate against the Peso and/or the Euro. We cannot assure you that the U.S. Dollar will not appreciate against the Peso, or that we will not be adversely affected by Banco Hipotecario s exposure to risks of exchange rate fluctuations.

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Banco Hipotecario has acquired and will continue to acquire on a regular basis dollar futures and other derivatives in order to hedge exposure to foreign currency and interest rate mismatches of its assets and liabilities.

Because of its large holdings of BODEN and other government securities, Banco Hipotecario has significant exposure to the Argentine public sector.

On December 23, 2001, the Argentine government declared the suspension of payments on most of its sovereign debt, which as of December 31, 2001, totaled approximately US$144.5 billion, a substantial portion of which was restructured by the issuance of new bonds in the middle of 2005.

Banco Hipotecario s exposure to the public sector as of June 30, 2009 amounted US$775 millions consisting mainly by BODEN 2012. Government securities represent approximately 24,5% of Banco Hipotecario s total assets as of June 30,2009. Considering Banco Hipotecario s BODEN holdings, it has a significant exposure to the Government s solvency. Furthermore, defaults by the Argentine government on its debt obligations, including Boden and other government securities held by Banco Hipotecario, would materially and adversely affects its financial condition which would in turn affect our investment.

Banco Hipotecario operates in a highly regulated environment, and its operations are subject to regulations adopted, and measures taken, by the Central Bank, the Comisión Nacional de Valores and other regulatory agencies.

Financial institutions are subject to significant regulation relating to functions that historically have been mandated by the Central Bank and other regulatory authorities. Measures adopted by the Central Bank have had, and future regulations may have, a material adverse effect on Banco Hipotecario s financial condition and results of operations. For example, on July 25, 2003, the Central Bank announced its intention to adopt new capital adjustment requirements which will be gradually implemented until 2009. Furthermore, the IMF and other multilateral agencies encouraged the Government to impose minimum capital adjustment, solvency and liquidity requirements, in accordance with the international guidelines, which may produce significant operating restrictions on Banco Hipotecario.

Similarly, the *CNV*, which authorizes Banco Hipotecario s offerings of securities and regulates the public markets in Argentina, has the authority to impose sanctions on Banco Hipotecario and its board of directors for breaches of corporate governance requirements. Under applicable law, the *CNV* has the authority to impose penalties that range from minor regulatory enforcement sanctions to significant monetary fines, to disqualification of directors from performing board functions for a period of time, and (in the most serious cases) prohibiting issuers from making public offerings, if they were to determine that there was wrongdoing or material violation of law. Although Banco Hipotecario is not currently party to any proceeding before the *CNV*, we cannot assure you that the *CNV* will not initiate new proceedings against Banco Hipotecario, its shareholders or directors or impose further sanctions.

Commencing in early 2002, laws and decrees have been implemented that have substantially altered the prevailing legal regime and obligations established in contract. In the recent past, various initiatives have been presented to Congress intended to reduce or eliminate the debt owed to Banco Hipotecario on a portion of its mortgage loan portfolio and there were initiatives intended to review the terms pursuant to which Banco Hipotecario Nacional was privatized. As a result, we cannot assure you that the legislative branch will not enact new laws that will have a significant adverse impact on Banco Hipotecario s shareholders equity or that, if this were to occur, the Argentine government would compensate us for the resulting loss.

The Argentine government may prevail in all matters to be decided at a Banco Hipotecario s general shareholders meeting.

According to the Privatization Law and Banco Hipotecario s by-laws, holders of Class A and Class D Shares have special voting rights relating to certain corporate decisions. Whenever such special rights do not apply (with respect to the Class A Shares and the Class D Shares) and in all cases (with respect to the Class B Shares and the Class C Shares), each share of common shares entitles the holder to one vote. Pursuant to Argentine regulations, Banco Hipotecario may not issue new shares with multiple votes.

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The holders of Class D Shares have the right to elect nine of Banco Hipotecario s board members and their respective alternates. In addition, for so long as Class A Shares represent more than 42.0% of Banco Hipotecario s capital, the Class D Shares shall be entitled to three votes per share, provided that holders of Class D Shares will be entitled to only one vote per share in the case of a vote on:

- a fundamental change in Banco Hipotecario s corporate purpose;
- a change in Banco Hipotecario s domicile outside of Argentina;
- dissolution prior to the expiration of Banco Hipotecario s corporate existence;
- a merger or spin-off after which Banco Hipotecario would not be the surviving corporation;
- a total or partial recapitalization following a mandatory reduction of capital; and
- approval of voluntary reserves, other than legally mandated reserves, when their amount exceeds Banco Hipotecario s capital stock and its legally mandated reserves.

In addition, irrespective of what percentage of Banco Hipotecario s outstanding capital stock is represented by Class A Shares, the affirmative vote of the holders of Class A Shares is required to adopt certain decisions. Class D Shares will not be converted into Class A Shares, Class B Shares or Class C Shares by virtue of their reacquisition by the Argentine government, PPP or Programa de Propiedad Participada (or the Shared Property Program) participants or companies engaged in housing development or real estate activities.

According to the Privatization Law, there are no restrictions on the ability of the Argentine government to dispose of its Class A shares, and all but one of such shares could be sold to third parties in a public offering. If the Class A shares represent less than 42% of Banco Hipotecario s total voting stock as a result of the issuance of new shares other than Class A shares or otherwise, the Class D shares we hold would automatically lose their triple voting rights. If this were to occur, we would likely lose its current ability, together with our affiliates that also hold Class D shares of Banco Hipotecario, to exercise substantial influence over decisions submitted to the vote of Banco Hipotecario s shareholders.

Banco Hipotecario will continue to consider acquisition opportunities which may not be successful.

From time to time in recent years, Banco Hipotecario has considered certain possible acquisitions or business combinations, and Banco Hipotecario expects to continue considering acquisitions that it believes offer attractive opportunities and are consistent with its business strategy. We cannot assure you, however, that Banco Hipotecario will be able to identify suitable acquisition candidates or that Banco Hipotecario will be able to acquire promising target financial institutions on favorable terms. Additionally, its ability to obtain the desired effects of such acquisitions will depend in part on its ability to successfully complete the integration of those businesses. The integration of acquired businesses entails significant risks, including:

- unforeseen difficulties in integrating operations and systems;
- problems assimilating or retaining the employees of acquired businesses;
- challenges retaining customers of acquired businesses;

unexpected liabilities or contingencies relating to the acquired businesses; and

the possibility that management may be distracted from day-to-day business concerns by integration activities and related problem solving.

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Risks Related to Our ADSs and Common Shares

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

The market prices of our common shares and American Depositary Shares (ADS) could decline as a result of sales by our existing shareholders of common shares or ADSs in the market, or the perception that these sales could occur. These sales also might make it difficult for us to sell equity securities in the future at a time and at a price that we deem appropriate.

The ADSs are freely transferable under US securities laws, including shares sold to our affiliates. Inversiones Financieras del Sur S.A., which as of November 30, 2009, owned approximately 34.8% of our common shares (on a fully diluted basis) (or approximately 166,954,604 common shares which may be exchanged for an aggregate of 16,695,460), is free to dispose of any or all of its common shares or ADSs at any time in its discretion. Sales of a large number of our common shares and/or ADSs would likely have an adverse effect on the market price of our common shares and the ADS.

We are subject to certain different corporate disclosure requirements and accounting standards than domestic issuers of listed securities in the United States.

There is less publicly available information about the issuers of securities listed on the Buenos Aires Stock Exchange than information publicly available about domestic issuers of listed securities in the United States and certain other countries. In addition, all listed Argentine companies must prepare their financial statements in accordance with Argentine GAAP and the regulations of the Comisión Nacional de Valores which differ in certain significant respects from U.S. GAAP. For this and other reasons, the presentation of Argentine financial statements and reported earnings may differ from that of companies in other countries in this and other respects.

We are exempted from the rules under the Exchange Act prescribing the furnishing and content of proxy statements, and our officers, directors and principal shareholders are exempted from the reporting and short-swing profit recovery provisions contained in Section 16 of the Exchange Act.

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

We are a publicly held corporation (sociedad anónima) organized under the laws of Argentina. Most of our directors and our senior managers, and most of our assets are located in Argentina. As a result, it may not be possible for investors to effect service of process within the United States upon us or such persons or to enforce against us or them, in United States courts, judgments obtained in such courts predicated upon the civil liability provisions of the United States federal securities laws. We have been advised by our Argentine counsel, Zang, Bergel & Viñes, that there is doubt as to whether the Argentine courts will enforce to the same extent and in as timely a manner as a US or foreign court, an action predicated solely upon the civil liability provisions of the United States federal securities laws or other foreign regulations brought against such persons or against us.

If we are considered to be a passive foreign investment company for United States federal income tax purposes, U.S. Holders of our equity securities would suffer negative consequences.

Based on the current composition of our income and the valuation of our assets, including goodwill, we do not believe we were a passive foreign investment company (PFIC) for United States federal income tax purposes for the taxable year ending June 30, 2009. The determination of whether we are a PFIC is made annually. Accordingly, it is possible that we may be a PFIC in the current or any future taxable year due to changes in our asset or income composition or if our projections are not accurate. The volatility and instability of Argentina s economic and financial system may substantially affect the composition of our income and assets. In addition, this determination is based on the interpretation of certain U.S. Treasury regulations relating to rental

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income, which regulations are potentially subject to differing interpretation. If we become a PFIC, U.S. Holders (as defined in Taxation United States Taxation) of our equity securities will be subject to certain United States federal income tax rules that have negative consequences for U.S. Holders such as additional tax and an interest charge upon certain distributions by us or upon a sale or other disposition of our common shares or ADSs at a gain, as well as additional reporting requirements. See Taxation United States Taxation Passive Foreign Investment Company for a more detailed discussion of the consequences if we are deemed a PFIC. You should consult your own tax advisors regarding the application of the PFIC rules to your particular circumstances.

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

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

The protections afforded to minority shareholders in Argentina are different from and more limited than those in the United States and may be more difficult to enforce.

Under Argentine law, the protections afforded to minority shareholders are different from, and much more limited than, those in the United States and some other Latin American countries. For example, the legal framework with respect to shareholder disputes, such as derivative lawsuits and class actions, is less developed under Argentine law than under U.S. law as a result of Argentina s short history with these types of claims and few successful cases. In addition, there are different procedural requirements for bringing these types of shareholder lawsuits. As a result, it may be more difficult for our minority shareholders to enforce their rights against us or our directors or controlling shareholder than it would be for shareholders of a US company.

Holders of common shares may determine to not pay any dividends.

In accordance with Argentine corporate law we may pay dividends to shareholders out of net and realized profits, if any, as set forth in our audited financial statements prepared in accordance with Argentine GAAP. The approval, amount and payment of dividends are subject to the approval by our shareholders at our annual ordinary shareholders meeting. The approval of dividends requires the affirmative vote of a majority of the shareholders entitled to vote at the meeting. As a result, we cannot assure you that we will be able to generate enough net and realized profits so as to pay dividends or that our shareholders will decide that dividends will be paid.

Our ability to pay dividens is limited by law.

In accordance with Argentine corporate law, we may pay dividends in Pesos only out of retained earnings, if any, to the extent set forth in our audited financial statements prepared in accordance with Argentine GAAP.

Dividend restrictions in our subsidiaries debt agreements may adversely affect us.

We have subsidiaries and hence an important source of funds for us is cash dividends and other permitted payments from our subsidiaries. The debt agreements of our subsidiaries contain covenants restricting their ability to pay dividends or make other distributions. If our subsidiaries are unable to make payments to us, or are able to pay only limited amounts, we may be unable to pay dividends or make payments on our indebtedness.

Risks Related to IRSA s Global Depositary Shares and the Shares

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

The market prices of IRSA s common shares and GDS could decline as a result of sales by IRSA s existing shareholders of common shares or GDSs in the market, or the perception that these sales could occur. These sales also might make it difficult for IRSA to sell equity securities in the future at a time and at a price that IRSA deem appropriate.

The GDSs are freely transferable under U.S. securities laws, including shares sold to IRSA s affiliates. Our company, which as of November 30, 2009, owned approximately 57.12% of IRSA s common shares (or approximately 330,552,392 common shares which may be exchanged for an aggregate of 33,055,239 GDSs), is free to dispose of any or all of our common shares or GDSs at any time in our discretion. Sales of a large number of IRSA s common shares and/or GDSs would likely have an adverse effect on the market price of IRSA s common shares and the GDS.

IRSA is subject to certain different corporate disclosure requirements and accounting standards than domestic issuers of listed securities in the United States.

There is less publicly available information about the issuers of securities listed on the *Bolsa de Comercio de Buenos Aires* than information publicly available about domestic issuers of listed securities in the United States and certain other countries. In addition, all listed Argentine companies must prepare their financial statements in accordance with Argentine GAAP and the regulations of the *Comisión Nacional de Valores* which differ in certain significant respects from U.S. GAAP. For this and other reasons, the presentation of Argentine financial statements and reported earnings may differ from that of companies in other countries in this and other respects.

IRSA is exempted from the rules under the Exchange Act prescribing the furnishing and content of proxy statements, and IRSA s officers, directors and principal shareholders are exempted from the reporting and short-swing profit recovery provisions contained in Section 16 of the Exchange Act.

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

IRSA is a publicly held corporation (*sociedad anónima*) organized under the laws of Argentina. Most of IRSA s directors and senior managers, and most of IRSA s assets are located in Argentina. As a result, it may not be possible for investors to effect service of process within the United States upon IRSA or such persons or to enforce against IRSA or them, in United States courts, judgments obtained in such courts predicated upon the civil liability provisions of the United States federal securities laws. IRSA has been advised that there is doubt as to whether the Argentine courts will enforce to the same extent and in as timely a manner as a US or foreign court, an action predicated solely upon the civil liability provisions of the United States federal securities laws or other foreign regulations brought against such persons or against IRSA.

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

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

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The protections afforded to minority shareholders in Argentina are different from and more limited than those in the United States and may be more difficult to enforce.

Under Argentine law, the protections afforded to minority shareholders are different from, and much more limited than, those in the United States and some other Latin American countries. For example, the legal framework with respect to shareholder disputes, such as derivative lawsuits and class actions, is less developed under Argentine law than under U.S. law as a result of Argentina s short history with these types of claims and few successful cases. In addition, there are different procedural requirements for bringing these types of shareholder lawsuits. As a result, it may be more difficult for IRSA s minority shareholders to enforce their rights against IRSA or IRSA s directors or controlling shareholder than it would be for shareholders of a US company.

Holders of common shares may determine not to pay any dividends.

In accordance with Argentine corporate law IRSA may pay dividends to shareholders out of net and realized profits, if any, as set forth in IRSA s audited financial statements prepared in accordance with Argentine GAAP. The approval, amount and payment of dividends are subject to the approval by IRSA s shareholders at their annual ordinary shareholders meeting. The approval of dividends requires the affirmative vote of a majority of the shareholders entitled to vote at the meeting. As a result, IRSA cannot assure you that they will be able to generate enough net and realized profits so as to pay dividends or that IRSA s shareholders will decide that dividends will be paid.

IRSA s ability to pay dividends is limited by law, by their by-laws and by certain restrictive covenants in their debt instruments.

In accordance with Argentine corporate law, IRSA may pay dividends in Pesos only out of retained earnings, if any, to the extent set forth in IRSA s audited financial statements prepared in accordance with Argentine GAAP. In addition, IRSA s ability to pay dividends on their common shares is limited by certain restrictive covenants in their debt instruments.

On February 2, 2007, IRSA issued 8.5% notes due 2017 in an aggregate principal amount of US$150.0 million. These bonds contain a covenant limiting their ability to pay dividends which may not exceed the sum of:

- 50% of IRSA s cumulative consolidated net income; or

- 75% of IRSA s cumulative consolidated net income if their consolidated interest coverage ratio for their most recent four consecutive fiscal quarters is at least 3.0 to 1; or

- 100% of cumulative consolidated net income if IRSA s consolidated interest coverage ratio for their most recent four consecutive fiscal quarters is at least 4.0 to 1; or

- 100% of the aggregate net cash proceeds (with certain exceptions) and the fair market value of property other than cash received by IRSA or by their restricted subsidiaries from (a) any contribution to IRSA s equity capital or to the capital stock of their restricted subsidiaries or issuance and sale of IRSA s qualified capital stock or the qualified capital stock of their restricted subsidiaries subsequent to the issue of IRSA s notes due 2017, or (b) any issuance and sale subsequent to the issuance of IRSA s notes due 2017, of their indebtedness, or of the indebtedness of IRSA s restricted subsidiaries that has been converted into or exchanged for their qualified capital stock.

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

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Item 4. Information on the Company

A. HISTORY AND DEVELOPMENT OF THE COMPANY

General Information

Our legal name is Cresud Sociedad Anónima Comercial, Inmobiliaria, Financiera y Agropecuaria, and our commercial name is Cresud . We were incorporated and organized on December 31, 1936 under Argentine law as a stock corporation (sociedad anónima) and were registered with the Public Registry of Commerce of the City of Buenos Aires (*Inspección General de Justicia*), on February 19, 1937 under number 26, on page 2, book 45 of National By-laws Volume. Pursuant to our bylaws, our term of duration expires on July 6, 2082. Our headquarters are located at Moreno 877, (C1091AAQ), Buenos Aires, Argentina. Our telephone is +54 (11) 4814-7800, and our website is www.cresud.com.ar.

Information contained in or accessible through our website is not a part of this annual report on Form 20-F. All references in this annual report on Form 20-F to this or other internet sites are inactive textual references to these URLs, or uniform resource locators and are for your information reference only. We assume no responsibility for the information contained on these sites.

History

We were incorporated in 1936 as a subsidiary of Credit Foncier, a Belgian company engaged in the business of providing rural and urban loans in Argentina. We were incorporated to administer real estate holdings foreclosed by Credit Foncier. Credit Foncier was liquidated in 1959, and as a part of such liquidation, our shares were distributed to Credit Foncier s shareholders and in 1960 were listed on the Buenos Aires Stock Exchange. During the 1960s and 1970s, our business shifted to exclusively agricultural activities.

During 1993 and 1994, Consultores Asset Management acquired on behalf of certain investors approximately 22% of our outstanding shares on the Buenos Aires Stock Exchange. In late 1994, an investor group led by Consultores Asset Management (and including Dolphin Fund plc.) purchased additional shares increasing their aggregate shareholding to approximately 51.4% of our outstanding shares. In 1995, we increased our capital through a rights offering and global public offering of ADRs representing our common shares and listed such ADRs on the NASDAQ. In March, 2008 we completed our capital increase of 180 million common shares. All of the shares offered were subscribed domestically and internationally.

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

As of June 30, 2009, we have invested approximately Ps.789.0 million to acquire our current 55.64% equity interest of IRSA. IRSA is one of Argentina s largest real estate companies. IRSA is engaged in a range of diversified real estate activities including residential properties, office buildings, shopping centers, credit cards and luxury hotels in Argentina. A majority of our directors are also directors of IRSA.

Purchase, sales and barter of properties

The following is a description of the most significant events in terms of acquisitions, divestitures, real estate barter transactions and other transactions which occurred during the years ended June 30, 2009, 2008 and 2007, divided between our agricultural and real estate businesses:

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Year Ended June 30, 2009

Agricultural Business

Acquisitions of farmland in Bolivia

On July 28, 2008, the Company acquired several properties in Bolivia as further described below:

We acquired Las Londras farm, a 4,566 hectares property located in the Province of Guarayos, Bolivia for an aggregate purchase price of US$11.4 million of which US$4.9 million was paid in cash. The outstanding balance will be paid in two equal annual installments due in November 2009 and 2010. Seller financing does not accrue any interest. The property is mortgaged as collateral for payment.

We acquired the San Cayetano and San Rafael farms which are properties with 883 and 2,969 hectares properties, respectively, located in the Province of Guarayos, Bolivia for an aggregate purchase price of US$8.8 million of which US$3.8 million was paid in cash. The outstanding balance will be paid in two equal annual installments due in November 2009 and 2010. Seller financing does not accrue any interest. The property is mortgaged as collateral for payment.

We acquired La Fon Fon farm, a 3,748 hectares property located in the Province of Obispo Santiesteban, Bolivia for an aggregate purchase price of US$8.6 million of which US$3.7 million was paid in cash. The outstanding balance will be paid in two equal annual installments due in November 2009 and 2010. Seller financing does not accrue any interest. The property is mortgaged as collateral for payment.

Acquisition of a parcel of a farm in Luján

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

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

Acquisition of San Pedro farm

On September 1, 2005, we acquired the San Pedro farm, a 6,022 hectares property located in the Department of Concepción del Uruguay, Province of Entre Ríos, for an aggregate purchase price of US$16.0 million, of which US$9.5 million was paid upon signing the deed, US$4.0 million was paid on December 14, 2005, and US$0.73 million was paid on September 1, 2006. The remaining balance of US$1.7 million plus interest of US$0.1 million was paid in September 2009.

Land sales out of El Recreo and Los Pozos farms

On July 24, 2008, we sold 1,829 hectares out of the El Recreo farm, located in the Province of Catamarca for US$0.4 million. The buyer paid US$0.1 million in cash and the balance will be collected in two annual consecutive installments of US$0.12 million each. The balance accrues interest at LIBOR plus 3% per annum. This transaction generated a gain of US$0.3 million recognized in the statements of income as of June 30, 2009.

On October 7, 2008, we entered into a preliminary sales agreement for the sale of 1,658 hectares of the Los Pozos farm located in the Province of Salta. The agreed sales price was US$0.5 million. On April 7, 2009, the deed was executed and the balance of US$0.2 million was collected. The transaction generated a gain of US$0.5 million.

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Real Estate Business

Purchase of Anchorena building

On August 7, 2008, IRSA s subsidiary APSA signed an agreement by which acquired functional units number one and two with an area of 2,267.5 square meters and 608.4 square meters respectively, located at Dr. Tomás Manuel de Anchorena street No. 665, 667, 669 and 671, between Tucumán and Zelaya streets. The total agreed-upon price amounts to US$ 2 million which has been paid on January 15, 2009 when the title deed was signed.

On August 7, 2008, APSA signed an agreement by which acquired the functional unit number three covering a surface area of 988 sq. located in Dr. Tomás Manuel de Anchorena street numbers 665, 667, 669 and 671, between Tucumán and Zelaya streets. The total agreed-upon price amounts to US$ 1.3 million which has been paid on January 15, 2009 when the title deed was signed.

As of June 30, 2009 the total amount paid for the acquired functional units above mentioned was US$ 3.3 million.

Barter with CYRSA

On July 21, 2008, the Company entered into a barter agreement with Cyrsa pursuant to which APSA, subject to certain closing conditions, would surrender to Cyrsa its right to construct a building over a preexisting structure (owned by a third party) in exchange for de minimis cash and 25% of the housing units in the future building. The total fair value of the transaction is US$ 5.9 million.

Signing of a Letter of Intent

On June 30, 2009, APSA signed a Letter of Intent with an unrelated party to purchase a 10,022 square meters property in the City of Paraná, Province of Entre Rios, Argentina. APSA intends to construct a shopping center on the site. The purchase price amounts to US$ 0.5 million. In July 2009, APSA paid US$ 0.05 million in advance to secure APSA s right of first offer through November 27, 2009 when the Letter of Intent expires.

Sales of Buildings

During fiscal year 2009, IRSA sold 20,315 square meters of office building for total consideration of Ps.201.3 million resulting in a gain of Ps.119.4 million.

Year Ended June 30, 2008

Agricultural Business

On June 30, 2008, we acquired Estancia Carmen farm, a 10,910 hectares property located in the Province of Santa Cruz, adjacent to our 8 de Julio farm, for an aggregate purchase price of US$ 0.7 million. We made a down payment of US$ 0.2 million in cash and did not take possession of the property at that time. In September 2008, we paid off the remaining balance and assumed possession of the property.

On May 30, 2008, we sold 2,430 hectares of La Esmeralda farm for US$ 6.2 million, which was collected on June 30, 2008.

On April 22 and 23, 2008, we acquired an undivided 80% interest in La Esperanza farm, a 980 hectares property located in the Province of La Pampa, for an aggregate purchase price of US$ 1.3 million. We believe the farm has attractive potential for agriculture.

On December 17, 2007, we acquired the remaining undivided 25% interest (18 hectares) of the 72 hectares expansion to the La Adela farm, located in the Province of Buenos Aires, for an aggregate purchase price of US$ 0.1 million. After this acquisition, the La Adela farm has a total of 1,054 hectares.

On October 22, 2007, we sold 4,974 hectares of Los Pozos farm for US$1.1 million, which was collected on June 30, 2008.

Year Ended June 30, 2007

Agricultural Business

On June 6, 2007, we signed a sales deed for the 20,833 hectare Tapenagá farm, located in the Province of Chaco. This deal was consummated for US$7.3 million. The property was valued in the Company s books at US$97.5 per hectare. We collected US$3.7 million on June 6, 2007. On May 28, 2008 we collected US$1.2 million, while the remaining balance of US$2.4 million will be collected in equal payments in May of each of 2009 and 2010.

On June 5, 2007, we signed a sales deed for a 14,516 hectares piece of the Los Pozos farm, located in Joaquín V. González, Province of Salta. The price of the transaction was US$2.2 million, or US$150 per hectare. The book value of the lot sold was US$7 per hectare.

On May 15, 2007, we acquired the 8 de Julio farm, a 90,000 hectares property located south of the Deseado River in the Province of Santa Cruz, for an aggregate purchase price of US$2.4 million. Upon execution of the bill of purchase we made a payment of US$1.2 million and took possession over the farm. On August 13, 2007, we paid US$0.24 million and the balance of US$0.96 million was paid on October 11, 2007, when the deed was executed. We believe this farm offers attractive potential for sheep production, both in terms of wool and mutton production, and may have potential as a tourist attraction.

On January 19, 2007, we signed a sales deed for a 50 hectare piece of the El Recreo farm, located in Recreo, Province of Catamarca, for Ps.0.7 million.

On August 28, 2006, we signed a preliminary sale contract of 1,829 hectares out of the El Recreo farm for US$0.36 million. This transaction was closed on July 24, 2008.

Formation of Companies

Year Ended June 30, 2009

Agricultural Business

International Expansion

During the fiscal year ended June 30, 2009, expanded into new international markets, primarily Bolivia, Uruguay and Paraguay. For these purposes we formed a number of entities and entered into several transactions in each of the respective international jurisdictions.

In September 2008, we executed jointly with Carlos Casado S.A., an Argentine company owning large stretches of land in southern Paraguay, a framework agreement by which it was decided to generate synergy between both companies to do business on the real estate, agricultural and livestock, and forestry markets, as well as a series of related agreements aiming at formalizing the productive coalition between both companies.

Within such context, we participate together with Carlos Casado (with a 50% interest each) in Cresca S.A. a stock company organized under the law of the Republic of Paraguay, under which we will assume the capacity of advisor under an advisory agreement, for the agricultural, livestock and forestry exploitation of an important rural area in Paraguay (hereinafter the Property) and possibly of up to 100,000 hectares also located in Paraguay, derived from the option exercised by the Company, granted by Carlos Casado S.A.

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The advisory agreement shall be valid for 10 year terms as from the date the framework agreement is executed and will automatically renewed for two additional 10-year period as from maturity date of the original period, in turn being able to be renewed after the expiration of the additional period.

We additionally executed a pre-purchase agreement as committed to acquire for a 50% interest in 41,931 hectares in Paraguay, owned by Carlos Casado S.A. for a total and agreed-upon amount of US$ 5.2 million in turn, to be contributed in kind to us aiming at developing the agricultural and forestry business in the neighboring country.

On January 23, 2009, Agrology and, we made a contribution in kind to Cresca S.A. Such contribution is made up of undivided 50% of five plots of land located in Mariscal José Félix Estigarribia, Dept. of Boquerón, Chaco Paraguayo, Republic of Paraguay, for 41,931 hectares, acquired from Carlos Casado S.A.

Consequently, together with Carlos Casado S.A. s contribution, the total contribution to Cresca S.A. stands at US$ 10.5 million.

Likewise, on that date, the amount of US$ 5.1 million was paid for the balance of the price originated by the capital contribution made by Carlos Casado S.A. to Cresca S.A. on our behalf and which resulted from the in-kind contribution of five plots of land located in The Republic of Paraguay.

Investment in Cactus Argentina S.A. (Cactus)

We had a 24% interest in Cactus. On June 30, 2009, we, directly and indirectly through its subsidiary Agrology, by means of our affiliate Hemir S.A., acquired an additional 24% in Cactus for total consideration of US$1.2 million. The purchase price will be paid in January 2010 and accrues interest at 4% per annum. The shares of Cactus are pledged as collateral for the seller financing.

Real Estate Business

Acquisition of Metropolitan

In July 2008, IRSA International LLC, a wholly-owned subsidiary of IRSA (through Tyrus S.A.), acquired a 30% equity interest in Metropolitan 885 Third Avenue LLC (Metropolitan), a limited liability company incorporated under the laws of New York, United States of America, whose net asset comprised of a building known as the Lipstick Building in Manhattan and associated debt. The purchase price was US$ 22.6 million in cash.

The transaction also included (i) a put right exercisable through July 2011 to sell 50% of the interest acquired (i.e. 15%) at a price equivalent to the amount paid plus interest at 4.5% per annum; and (ii) a right of first offer for the purchase of 60% of the 5% held by another party (i.e. 3%).

Due to the international credit crisis and real estate business contraction in the United States, Metropolitan recorded impairment charges in connection with the Lipstick Building. IRSA s share in the loss exceeded the net book value of the investment. Accordingly, IRSA valued the investment at zero at June 30, 2009 while recognized a liability of US$ 1.5 million related to the maximum amount committed by IRSA to fund Metropolitan operations if required. During the year ended June 30, 2009, the put option increased its fair value as the building s fair value decreased. IRSA adjusted the put option s fair value on a monthly basis. Since IRSA International LLC s functional currency is the US Dollar, it was translated into the reporting currency (Argentine Peso) at the current exchange rate for its net assets (i.e. the value of the put option recorded as other receivables) while its results (i.e. fair value adjustments to income) were translated at weighted average exchange rates. This generated a CTA recorded as part of the investment. The fair value of the put option as of June 30, 2009 amounted to US$ 11.8 million disclosed under other receivables.

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Acquisition of shares in Banco Hipotecario

During fiscal year 2009, IRSA acquired additional shares in Banco Hipotecario for Ps.107.6 million of which Ps.78.8 million were paid in July 2009. As a result of this transaction, IRSA s equity interest in Banco Hipotecario increased to 21.34% (without considering treasury shares). The acquisition was accounted for under the purchase method of accounting (See Note 3.g.). This transaction generated a gain of Ps.133.0 million.

Acquisition of companies in Uruguay

In June 2009, IRSA acquired a 100% interest in Liveck S.A., a shell company incorporated under the laws of Uruguay for de minimis consideration. In the same month, Liveck acquired 90% of the equity interest in Vista al Muelle S.A. and Zetol S.A., two real estate Uruguayan companies for US$ 6.6 million. These companies own undeveloped parcels of land in Canelones, Uruguay.

Out of the US$ 6.6 million, US$ 2.1 million were paid in cash while the balance is payable in five equal annual installments of US$ 0.9 million each plus interest at 3.5% per annum on any outstanding balance. Under the agreement, IRSA granted the sellers an option to settle the outstanding balance in the form of 12% of the square meters to be built. Ritelco, a wholly-owned subsidiary of IRSA, guaranteed the 45% of outstanding balance, interest and option to the sellers through a surety bond. On June 30, 2009, IRSA sold 50% of Liveck to Cyrela Brazil Realty S.A. for US$ 1.3 million.

Year Ended June 30, 2008

Agricultural Business

We, directly or indirectly through our subsidiaries, formed two companies in May 2008, Agrology and FyO Trading S.A.

Agrology is a new venture that invests in financial instruments and manages equity interests in other companies.

FyO Trading is a new venture that engages in agricultural production and commerce.

Year Ended June 30, 2007

Agricultural Business

On January 11, 2007, Cactus acquired 100% of the Exportaciones Agroindustriales Argentinas S.A. (EAASA) shares for Ps.6.8 million. EAASA owns a meat packing plant in Santa Rosa, Province of La Pampa, with capacity to slaughter and process approximately 9,500 heads of cattle per month.

Capital Expenditures

Our capital expenditures totaled Ps.317.2 million, Ps.28.0 million and Ps.29.3 for the fiscal years ended June 30, 2009, 2008 and 2007, respectively, including property and equipment acquired in business combinations. Our capital expenditures consisted in the purchase of real estate and farms, acquisition and improvement of productive agricultural assets, building of a new shopping center, construction of real estate and acquisition of land reserves.

Our capital expenditures for the new fiscal year will depend on the prevailing prices of real estate, land for agriculture and cattle as well as the evolution of commodity prices.

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For the fiscal year ended June 30, 2009, our investments consisted of Ps.207.3 million in constructions (including Ps.161.3 million in the construction of the Dot Baires shopping center and the construction of Dique IV, Ps.1.9 million in improvements on the San Pedro farm and Ps.1.0 million in the construction and improvements to the dairy facilities in La Juanita farm), Ps.78.3 million in the acquisition of real estate (including Ps.43.4 million as payment for the purchase of 4,566 hectares in Las Londras farm, 883 and 2,969 hectares in San Cayetano and San Rafael farms, respectively, located in the Province of Guarayos, in the Republic of Bolivia and 3,748 hectares in La Fon Fon farm located in the Province of Obispo Santiesteban, in the Republic of Bolivia, Ps.19.9 million as payment for the purchase of a 50% interest in of 41,931 hectares of the Jerovia farm located in the District of Boquerón in Paraguay owned by Cresca S.A through our equity interest in Agrology, Ps.8.9 million in the acquisition of land reserves, Ps.3.9 million as payment for the purchase of a land reserve located in Luján, Province of Buenos Aires and Ps.2.2 million as payment for the purchase of 10,910 hectares in Estancia Carmen), Ps.22.6 million for construction in progress (including Ps.19.5 million in development of land reserves, Ps.1.6 million in improvement in the main house, personnel s houses, roads, wire fences, channels and watering troughs and Ps.1.5 million in forestation and new pastures), Ps.3.6 million in improvements (including Ps.1.8 in wire fences, Ps.1.1 million in watering troughs, Ps.0.4 million in roads and Ps. 0.3 million in pens and cattle chutes), Ps.2.5 million in vehicles, Ps.1.2 in facilities, Ps.0.9 million in machinery, Ps.0.4 million in furniture and fixtures, Ps.0.3 million in computers and Ps.0.1 million in tools.

For the fiscal year ended June 30, 2008, our main investments consisted of Ps.14.8 million for construction in progress (including Ps.11.0 million in development of land reserve, Ps.3.2 million in new pastures, roads, improvement in the main house and water extractions and Ps.0.6 million in wire fences), Ps.5.0 million in the acquisition of real estate (including Ps.4.3 million as payment for the purchase of 80% of La Esperanza farm and Ps.0.5 million as payment for the purchase of 25% of La Adela farm), Ps.2.3 million in improvements (including Ps.1.2 million in watering troughs, Ps.0.4 million in wire fences, Ps.0.4 million in constructions and Ps.0.3 million in roads), Ps.1.7 million in facilities, Ps.1.5 million in construction, Ps.1.3 million in vehicles, Ps.0.8 million in machinery, Ps.0.4 million in computer and communication accessories, Ps.0.1 million in furniture and stationery and Ps.0.1 million in new pastures.

For the fiscal year ended June 30, 2007, our main investments consisted of Ps.9.7 million in the acquisition of real estate (including Ps.5.7 million in development of land reserve, Ps.3.9 million as partial payment for the purchase of 8 de Julio farm and Ps.0.1 million in forestry activities), Ps.1.5 million in improvements (including Ps.0.6 million in wire fences, Ps.0.3 million in watering troughs, Ps.0.2 million in roads, Ps.0.2 million in improvements in third parties buildings and Ps.0.2 million in corrals and leading lanes), Ps.0.9 million in facilities, Ps.0.3 million in vehicles, Ps.14.6 million for construction in progress (including Ps.10.8 million in development of land reserve, Ps.2.4 million in dairy farm and Ps.1.3 million in wire fences, new pastures, improvement in the main house and water extractions), Ps.0.8 million in machinery, Ps.0.6 million in computer and communication accessories, Ps.0.7 million in construction, Ps.0.1 million in forest products post and Ps.0.1 million in advances.

Recent Developments

***Change on exercise price of warrants*.** By letter dated December 29, 2009 the Company informed that pursuant to the pro rata allotment of its shares among its shareholders, made last November 23, 2009, the terms and conditions of the outstanding warrants for common shares of the Company, have been modified as follows:

Amount of shares to be issued per warrant:

Ratio previous to the allotment: 0.33333333;

Ratio after the allotment (current): 0.35100598.

Warrant exercise price per new share to be issued:

Price previous to the allotment: US$ 1.6800;

Current price after the allotment: US$1.5954.

The other terms and conditions of the warrants remain the same.

Director Appointment. On 11 December 2009, the Company reported that Mr. Thomas Kaplan had not sent a written notice accepting the Director position for which he had been appointed in the Ordinary and Extraordinary General Shareholders Meeting of the Company held on October 29, 2009, and had thereby declined to accept such appointment.

Pro rata grant and allocation of Treasury Shares and payment of cash dividends. On November 13, 2009, in exercise of the powers vested on it by the Ordinary and Extraordinary Shareholders Meeting of the Company on October 29, 2009, the Board of Directors resolved, effective as of November 23, 2009, to launch the process to grant and allocate, among the shareholders of the Company, 25,000,000 treasury shares issued by Cresud and acquired within the framework of the Share Repurchase Program during the 2008-2009 fiscal year. Furthermore, the Company resolved to distribute dividends among its shareholders in an amount of Ps.60,000,000, as from December 1, 2009, in line with the delegation of powers resolved by the Shareholders Meeting on October 29, 2009.

Exercise of Warrants. Between November 17 and November 20, 2009, certain holders of warrants exercised their right to purchase additional shares within the framework of the capital increase implemented in March 2008. Accordingly, the Company issued an aggregate amount of 1,123 ordinary shares while 3,369 warrants were cancelled. Therefore, as from the date the above-mentioned warrants were exercised, the number of Company s shares increased from 501,538,610 to 501.539.733 and at present there are 177,705,104 outstanding warrants.

Furthermore in the period for the exercise of warrants between September 17 and September 22, 2009, no holder has exercised his right to purchase shares in the Company.

Paid for establishment in the Republic of Bolivia. On November 9, 2009, the first aggregate installment of US$10.2 million was made for the farm purchases in the Republic of Bolivia

Creation of Global Program of Short-term Debt Securities. Subsequent to the closing of the first quarter of fiscal year 2010, our Ordinary and Extraordinary General Shareholders Meeting held on October 29, 2009, approved the creation of a global program for the issuance of short-term debt securities in the form of simple negotiable obligations, not convertible into shares, denominated in Pesos, US Dollars or any other currency, secured by a common, special, floating and/or any other type of guarantee, including third-party guarantees, subordinated or not, for a maximum outstanding amount that at no time shall exceed the equivalent in Argentine Pesos or in other currencies of US$ 30,000,000.

Designation of a Director. On the Ordinary and Extraordinary Shareholders Meeting held on October 29, 2009, Thomas Kaplan was designated as Regular Director of the Company.

Approval of the payment of a bonus to the management of the Company. Subsequent to the closing of the first quarter of fiscal year 2010, the Ordinary and Extraordinary General Shareholders Meeting held on October 29, 2009, approved to delegate to the Board of Directors the power to distribute among the management of the Company up to 1% of the outstanding capital stock in cash, in kind or a combination of both methods, and the allocation thereof and timely implementation of such distribution.

Execution of Spin-off/Merger Agreement. Subsequent to the closing of the first quarter of fiscal year 2010, we have reported the execution of a preliminary agreement of merger and spin-off-merger with our controlled entities Inversiones Ganaderas S.A. (IGSA). The Ordinary and Extraordinary General Shareholders Meeting adjourned for November 27, 2009, approved the reorganization process and documentation submitted to the shareholders.

Global Program for the Issuance of Notes. Issuance of Series I and Series II Notes. On July 13, 2009, the CNV lifted the restrictions and approved the Global Note Program for a maximum outstanding principal amount of U$S 50,000,000 (or its equivalent in other currencies). The Global Program was approved by the CNV under Resolution No 15,972 dated September 4, 2008. Furthermore, as evidenced by the Minutes of the Board Meetings held on August 19 and September 1, 2009, the Company approved the issuance of the First Tranche of Notes, Series I and Series II (Series I and Series II , and, collectively the Notes); the issuance of the Notes was approved by the CNV on September 1, 2009.

On September 11, 2009, Cresud issued two series of notes for a total amount of Ps.50 million, as per the following detail:

Series I Notes for an amount of Ps.15,500,000 due 270 calendar days after the date of issuance, accruing interest at the Badlar Private rate plus a 3% spread, payable every three months on December 10, 2009, March 10, 2010 and June 8, 2010. Series I Notes will fall due in a single installment on June 8, 2010.

Series II Notes were issued for an amount equivalent in United States Dollars to Ps.34,500,000, due in one installment on September 13, 2010, at a fixed interest rate on the principal balance in United States Dollars of 7.20%, payable on December 10, 2009, March 10, 2010, June 8, 2010 and September 13, 2010.

Purchase of Shares in IRSA. Subsequent to the close of the fiscal year and until the date of this annual report, The Company purchased 8,553,510 shares issued by IRSA, of nominal value 1.0 each, for an average price of US$0.5529 and for an aggregate amount of US$4.7292 million. Thus, our stake in IRSA as of the date of this document is 57.12%, directly and indirectly.

Purchase of Shares in Brasilagro. Subsequent to June 30, 2009, we acquired in the market 2,192,500 shares in Brasilagro at an average weighted price of US$ 6.4716 for an aggregate amount of US$ 14.19 million. Thus, our stake in Brasilagro, as of the date of this document is 22.89%.

Appointment of new officer in charge of the operation and implementation of the shared services agreement. On September 8, 2009, we reported on the appointment of our Regular Director, Mr. Daniel E. Mellicovsky as the new officer in charge of the Operation and Implementation of the Shared Services Agreement between the Company, IRSA and APSA, who will act on behalf of the Company.

El Encuentro, Benavidez. As of December 22, 2009 DEESA transferred to IRSA the 110 residential plots identified in the option contract signed on May 21, 2004. Through this operation, DEESA canceled the mortgage in favor of Inversora Bolivar on the real property.

Purchase of Catalinas Plot of Land. In December 2009, IRSA signed a purchase agreement in connection with the auction of a plot of land located in Catalinas Norte , City of Buenos Aires, totaling a surface of 3,648.54 sqm. The total amount for the transaction was fixed in Ps.95.0 million. Ps.19.0 million were paid upon the signature of the agreement and the outstanding balance of Ps.76.0 million will be paid upon the execution of the deed of the plot in May 2010.

Purchase of Shares in APSA. Subsequent to the close of the fiscal year and until the date of this annual report, IRSA purchased 38,400 shares issued by APSA of nominal value 0.1 each, for an average price of U$S 0.1350 and for an aggregate amount of U$S 0.005 million. Thus, IRSA holds 63.35% stake in APSA as of the date of this document.

Purchase of Shares of Banco Hipotecario. Subsequent to the closing of the fiscal year 2009, IRSA acquired, thorugh its subsidiaries Palermo Invest S.A., Inversora Bolivar S.A., E-Commerce Latina S.A. and Tyrus S.A., 7,251,430 ADRs and 10,328,193 Class D shares of Banco Hipotecario S.A., for a total amount of US$ 25.0 million. As a result of these acquisitions, IRSA s interest in Banco Hipotecario increased from 21.34% as of the close of fiscal year 2009 to 26.86% (without considering treasury shares), as of the date of this document.

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Payment of dividends. As resolved by the General Ordinary and Extraordinary Shareholders Meeting held in October, 2009 and the Board of Director s Meeting held in November , 2009, IRSA made available, as from November 17, 2009, a cash dividend of Ps.31,7 million, equivalent to 5.5% of the Capital Stock, and an amount per share ($1 par value) of Ps.0.05.

Sale of Edificio Costeros (Dique II). On November 23, 2009, IRSA sold to Fideicomiso de Administración Costeros, the building denominated Costeros Dique II A y B , located at Olga Cossettini street 1553, south Buenos Aires City. The total price of the operation that was fully paid by the purchaser amounted to US$ 18.0 million.

Merger and spin-off-merger of our subsidiaries. Subsequent to the end of the first quarter of fiscal year 2010, IRSA has reported the execution of a preliminary merger and spin-off agreement with its subsidiaries Patagonian Invest S.A., Palermo Invest S.A., and Inversora Bolivar S.A. IRSA s Ordinary and Extraordinary General Shareholders Meeting adjourned for November 27, 2009, approved the reorganization process and documentation submitted to the shareholders.

Creation of Global Program of Short-term Debt Securities. IRSA s Ordinary and Extraordinary General Shareholders Meeting held in October, 2009, approved the creation of a global program for the issuance of short-term debt securities in the form of simple negotiable obligations, not convertible into shares, denominated in Pesos, U.S. Dollars or any other currency, secured by a common, special, floating and/or any other type of guarantee, including third-party guarantees, subordinated or not, for a maximum outstanding amount that at no time shall exceed the equivalent in Argentine Pesos or in other currencies of US$ 50,0 million.

Increase of Global Note Program. IRSA s Ordinary and Extraordinary General Shareholders Meeting held in October, 2009 approved to increase the amount of the global program for the issuance of negotiable obligations for up to an additional amount of US$ 200.0 million.

Approval of payment management bonus. IRSA s Ordinary and Extraordinary General Shareholders Meeting held in October, 2009, approved to delegate to the Board of Directors the power to distribute among the management of the Company up to 1% of the outstanding capital stock in cash, in kind or a combination of both methods, and the allocation thereof and timely implementation of such distribution.

Acquisition of Hersha. On August 4, 2009 subsequent to the end of fiscal year 2009, IRSA acquired through an indirectly controlled entity, which includes other minority investors, 5,7 million shares of Hersha which represented approximately a 10.4% interest of the issuer. The price per share was US$ 2.50 and therefore the total purchase price was US$14.2 million.

Therefore, through the investment entity IRSA became the principal shareholder of Hersha, a leading Company and one of the most prestigious in the hospitality segment in the U.S.

In connection with the investment, IRSA has also entered into an Investor Rights and Option Agreement pursuant to which IRSA has the option to buy up to 5,7 million additional common shares at a price of $3.00 per share at any time prior to July 31, 2014 subject to certain terms. In addition, as a part of the investment agreements, IRSA s Chairman of the Board and CEO, Mr. Eduardo S. Elsztain, was appointed as trustee of Hersha.

During the month of November and December and as of the date of this Annual Report, IRSA acquired additional 274,660 common shares of Hersha in several public transactions for the amount of US$ 743,927.87.

Sale of Tarshop shares. On December 29, 2009 IRSA s subsidiary APSA executed a stock purchase agreement with Banco Hipotecario pursuant to which APSA sold shares representing 80% of the capital stock of its subsidiary Tarshop to Banco Hipotecario. Such shareholding consists of 107,037,152 non-endorsable, registered ordinary shares, with a nominal value of 1 Peso per share. Each of these shares is entitled to one vote.

The sale price is US$ 26.8 million, and APSA will grant to Banco Hipotecario the contractual indemnities that are usual in this type of transaction. The first installment of the purchase price, in the amount of US$ 5.4 million, was paid on December 29, 2009 and the remaining balance of US$21.4 million will be paid five business days after the date on which the Central Bank of Argentina notifies the parties of its approval of the transaction.

In compliance with the regulations of the Argentine Securities Commission (CNV) and currently applicable statutory provisions, APSA s Audit Committee had been required to render an opinion as to whether the terms and conditions of this transaction may be reasonably considered to be arm s length. In this context and based on the independent valuation of a third-party firm of the market value of Tarshop s total share capital, APSA s Audit Committee concluded that the value agreed in the mentioned transaction is consistent with the value that could be agreed in the market between independent parties. It must be noted that the transaction herein discussed is still subject to the authorization of the Central Bank of Argentina.

Signing of Letter of Intent. On June 30, 2009, APSA signed a Letter of Intent with an unrelated party to purchase a 10,022 square meter property in the City of Paraná, Province of Entre Rios, Argentina. APSA intends to construct a shopping center on the site. The purchase price amounts to US$ 0.5 million. In July 2009, APSA paid US$ 0.05 million in advance to secure APSA s right of first offer through November 27, 2009 when the Letter of Intent expires.

Purchase of Shares Arcos Gourmet S.A. On November 27, 2009 IRSA s subsidiary APSA has acquired 7,916,488 non endorsable, registered common shares, with a face value of Ps.1 each and with 1 voting right per share, representing 80% of the capital stock of Arcos del Gourmet S.A. (herein after Arcos).

Arcos is the holder of a concession granted by ONABE (the Federal Organism of Properties Management, currently the Rail Infrastructure Administration ADIF -) by which APSA has the right to exploit a site with a surface of approximately 5,813 square meters and the related parking lot with a surface of approximately 28,881 square meters.

The agreed price for the shares acquired by us is the following: 1) US$ 4.3 million corresponding to the 40% of the shares of Arcos; 2) for the remaining 40% of the shares the price was settled in: 2.a) a fixed amount of US$ 0.8 million with plus 2.b) 20% of the investment necessary to develop the project as it is explained as follows.

The price indicated in 1) above, was accorded to be paid as follows: the sum of US$ 0.3 million was already paid; the sum of US$ 2.0 million was paid at the time of the signature of the share purchase agreement and the remaining balance will be paid in two annual equal installments, which will mature on November 27, 2010 and November 27, 2011, respectively. Regarding the portion of the price indicated in 2.a) above, the sum of US$ 0.3 million was already paid and the sum of US$ 0.5 million will be paid when the meeting of shareholders approving the increase in Arcos capital in US$ 2.7 million is held. The portion of the price indicated in 2.b) will be paid by us at the time of the eventual capital increases necessary to the development of the project, which must be approved by the respective authorities and in accordance with that agreed by the respective parties, through the limit of US$ 6.9 million. In this latter case, APSA must pay in such way that the sellers can paid-in the 20% of those increases that they will subscribe.

Approval of the payment of a bonus to the management of our subsidiary APSA. The Ordinary and Extraordinary General Shareholders Meeting held in October 2009 of IRSA s subsidiary APSA, approved to delegate to the Board of Directors the power to distribute among the management of APSA up to 1% of the outstanding capital stock in cash, in kind or a combination of both methods, and the allocation thereof and timely implementation of such distribution.

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Approval of dividend distribution of IRSA s subsidiary APSA. The Ordinary and Extraordinary General Shareholders Meeting held in October 2009 of IRSA s subsidiary APSA approved the distribution of cash dividends for Ps.56.0 million. The dividend was paid on November 17, 2009, to the holders of record on November 16, 2009. The dividends amounted to Ps.0.07160537332 per share of a nominal value Ps.0.10 and Ps.2.8642149326 per ADR.

Increase of Global Note Program of IRSA s subsidiary APSA. The Ordinary and Extraordinary General Shareholders Meeting held in October 2009 approved to increase the amount of the global program for the issuance of negotiable obligations for up to an additional amount of US$ 200 million.

Creation of Global Program of Short-term Debt Securities of IRSA s subsidiary APSA. The Ordinary and Extraordinary General Shareholders Meeting held in October 2009 of IRSA s subsidiary APSA, approved the creation of a global program for the issuance of short-term debt securities in the form of simple negotiable obligations, not convertible into shares, denominated in Pesos, US Dollars or any other currency, secured by a common, special, floating and/or any other type of guarantee, including third-party guarantees, subordinated or not, for a maximum outstanding amount that at no time shall exceed the equivalent in Argentine Pesos or in other currencies of US$ 50 million.

Issuance of APSA s Series III and Series IV Notes. On November 13, 2009, APSA issued Notes for a total amount of Ps.80.8 million under its Global Note Program for a principal amount of up to US$ 200.0 million, as follows:

Series III Notes, for an amount of Ps.55.8 million falling due 18 months after the date of issuance, accruing interest at a variable Badlar Private rate plus a 3% spread, payable every three months in arrears. Principal of Series III Notes will be paid in a single installment 18 months after the date of issuance.

Series IV Notes, for a Dollar principal amount of US$ 6.6 million equivalent to Ps.25.0 million, falling due 18 months after the date of issuance, accruing interest at a fixed rate on principal in United States Dollars of 6.75%, payable every three months in arrears. Principal of Series IV Notes will be paid in a single installment 18 months after the date of issuance.

The use of proceeds of both series was the refinancing or prepayment of short term debt and working capital in Argentina.

Merger of Comercializadora Los Altos with Fibesa. As subsequent event, Comercializadora Los Altos has subscribed a prior commitment of merge with its controlled Company Fibesa.

Merger of IRSA s subsidiary APSA with Shopping Alto Palermo S.A. As subsequent event, APSA has subscribed a prior commitment of merge with its controlled company Shopping Alto Palermo S.A. (SAPSA). The Ordinary and Extraordinary General Shareholders Meeting adjourned for November 27, 2009, approved the reorganization process and documentation submitted to the shareholders.

Capital Increase in Tarshop. During the second quarter of fiscal year 2009, IRSA s subsidiary APSA has provided financial assistance to Tarshop for Ps.105.0 million then accepted as irrevocable capital contributions. This measure was adopted to strengthen its financial position, meet operating expenses and reposition Tarshop on the market, considering the complex situation that presented the securitized receivables market, its historical source of financing. The capitalization of such irrevocable capital contributions was decided by Tarshop s Extraordinary Shareholders Meeting held on October 30, 2009. After this capitalization, the interest in such company stands at 98.6%.

Financial and capital markets situation. As from the last months of 2008, the world s principal financial markets have suffered the impact of volatility conditions as well as lack of liquidity, credit and uncertainty. Consequently, stock market prices showed a significant decline worldwide together with an evident

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economic slowdown. In recent months, worldwide markets have experienced some signs of recovery. However, there can be no assurance as to the timing and extent of recovery of the international capital markets and its impact on the market value of financial instruments, particularly equity and debt instruments.

As far as the impact in Argentina is concerned, stock markets also showed a pronounced downward trend in the price of equity and debt instruments, as well as increases in interest rates, country risk and foreign exchange rates. In line with international trends, the values of financial instruments, including instruments issued by the Argentine Government, recently started to recover.

Since the beginning of the crisis, management has closely evaluated and monitored the effects of the liquidity crisis to take corrective actions to protect the net equity of the Company.

The price of the Company s stock declined significantly during the crisis, although it has started to recover in recent months. The Company believes that such a decline was unrelated to the Company s business fundamentals and operating performance, and therefore attributable to the overall adverse market conditions.

The Company operates in two main lines of business: agriculture and real estate businesses.

The credit crisis affected the market prices for the Company s commodities although these declines on their own have not impacted the Company s performance significantly. During the peak of the crisis and as of the date of this Annual Report, the market value of the farmland properties has not been significantly affected. In recent months these values also started to increase although there can be no assurance that this trend will continue in the near future.

However, for the year ended June 30, 2009, the Company s agricultural business was mainly affected by external factors unrelated to the credit crisis. The crops segment was primarily affected by severe draught which produced a significant decline in harvested volumes and yields. The cattle business segment was primarily affected by draught and government intervention and price regulation. The milk segment was also affected by draught which produced an increase in production costs.

On the other hand the Company s Others Segment operations as well as the Feed Lot operations were profitable.

As discussed in Note 29.A.3) of our financial statements, the Company s business in Brazil is conducted through its 22.89% equity interest in Brasilagro. The Company accounts for its investment in Brasilagro under the equity method of accounting.

Brasilagro also experienced a significant decline in its stock price during the year ended June 30, 2008. Recently, its stock price started to recover. Management believes that this decline was not reflective of the operating performance of Brasilagro. The market value of Brasilagro farmlands properties was also not significantly affected. The evaluation for other-than-temporary impairments is a quantitative and qualitative process, which is subject to various risks and uncertainties. The Company considered similar factors, as discussed above, including, but not limited to, the following (1) the reasons for the decline in value (whether it is credit event, interest or market related); (2) the Company s ability and intent to hold the equity investment for a sufficient period of time to allow for recovery of value; (3) whether the decline is substantial for the Company; (4) the historical and anticipated duration of the events causing the decline in value, and (5) the major fundamentals underlying the Brasilagro s business. As of the date of this Annual Report, management believes that these declines are temporary and will continue to monitor market conditions and determine if any impairment to the carrying value of the investment is necessary.

The Company s real estate operations are conducted through its subsidiary IRSA. As discussed in Note 2.b), the Company increased its equity interest in IRSA to 55.64% and started consolidating its results of operations effective October 1st, 2008.

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The credit crisis affected the consumer financing segment within the real estate business as further detailed below. All other segments remained in good standing. The stability of the IRSA s shopping center, office and other rental properties tenants (measured by occupancy, delinquency and uncollectability rates) as well as the market value of the IRSA s properties has not been significantly affected by the credit crisis.

As stated above, the consumer financing business segment was significantly affected by the crisis.

This segment includes the origination of consumer loans and credit card receivables and securitization activities. Consumer loan and credit card receivables arise primarily under open-end revolving credit accounts used to finance purchases of goods and services offered by APSA s shopping centers, hypermarkets and street stores, and financing and lending activities through APSA s subsidiary Tarshop. These accounts have various billing and payment structures, including varying minimum payment levels and finance charge rates. Tarshop provides an allowance for uncollectible accounts based on impaired accounts, historical charge-off patterns and management judgment.

Due to the credit crisis and other condition, which worsened as from September 30, 2008, some customers experienced delays in payments increasing uncollectibility and delinquency rates. APSA s subsidiary Tarshop monitored and evaluated all available evidence and increased the level of the allowance for doubtful accounts from Ps.66.4 million as of June 30, 2008 to Ps.79.1 million as of June 30, 2009. However, in light with the gradual recovery of the markets, uncollectability and delinquency rates slightly improved for the three month-period ended September 30, 2009. However, there can be no assurance that this trend will continue. Tarshop is closely monitoring the delays, delinquency and uncollectibility rates and will adjust the reserves and take corrective actions as necessary.

For the year ended June 30, 2009, the operating consumer financing segment contributed a net loss of Ps.51.5 million to the consolidated results of operations of the Company. However, for the three month-period ended September 30, 2009, the operating consumer financing segment generated a net gain based mainly on the recovery of delinquency rates and decrease of variable interest rates of retained interests in securitized receivables.

As part of APSA s protective and corrective measures, APSA took certain actions to enhance Tarshop s capital base. Accordingly, APSA contributed Ps.165 million in additional financial support and increased its equity interest in Tarshop from 80% to 98.6%.

In addition, Tarshop took other actions, from streamlining operations to closing redundant stores and making credit criteria more stringent; and reducing its total loan portfolio (including the securitized fraction) from Ps.934.9 million as of June 30, 2008 to Ps.612.5 million as of June 30, 2009. Some of these measures were (i) structure redesigning of distribution channels, (ii) changes in cash loans and financing plans at stores and (iii) renegotiation of terms and conditions with member stores.

The securitization market remains open and Tarshop completed securitization programs during the recent months with no disruptions. As of June 30, 2009, Tarshop s credit risk exposure is contractually limited to the subordinated retained interests representing Ps.147.0 million and Ps.7.8 million escrow reserves for losses.

Due to the factors mentioned above, as of June 30, 2009, Tarshop recorded allowance for impairment of CPs of Ps.12.1 million to the retained interests to reflect current fair value. For the three months ended September 30, 2009, no additional impairment charge related to the retained interests in securitized receivables was necessary. Tarshop is closely monitoring the values of the retained interests and will adjust them as necessary.

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B. BUSINESS OVERVIEW

General

We are a leading Argentine agricultural company engaged in the production of basic agricultural commodities with a growing presence in the Brazilian agricultural sector, through our investment in BrasilAgro Companhia Brasileira de Propriedades Agrícolas (BrasilAgro), and in other Latin American countries. We are currently involved in a range of activities including crop production, beef cattle production and milk production. Our business model, which is in process of expansion abroad, taking into account the specific conditions of each country, focuses on the acquisition, development and exploitation of properties having attractive prospects for agricultural production and/or value appreciation and the selective disposition of such properties where appreciation has been realized. Our shares are listed on the Buenos Aires Stock Exchange and our ADSs are listed on the NASDAQ Stock Market.

We are also directly engaged in the Argentine real estate business through our subsidiary IRSA, one of Argentina s largest real estate companies. IRSA is engaged in a range of diversified real estate activities including the development of residential properties, the development, acquisition and exploitation of office buildings for rental, shopping centers and luxury hotels in Argentina. A majority of our directors are also directors of IRSA. As of June 30, 2009, we held a 55.64% interest in IRSA.

During the fiscal years ended June 30, 2008 and 2009, we had consolidated sales of Ps.185.6 million and Ps.1,254.7 million, production income of Ps.159.8 million and Ps.172.5 million, and consolidated net income of Ps.22.9 million and Ps.124.6 million, respectively. During the fiscal years ended June 30, 2008 and June 30, 2009, our total consolidated assets increased 188.7% from Ps.2,069.8 million to Ps.5,976.1 million, and our consolidated shareholders equity increased 2.9% from Ps.1,762.3 million to Ps.1,812.9 million.

Agricultural Business

As of June 30, 2009, we owned 25 farms with approximately 484,246 hectares. About 41.740 hectares of the land we own are used for crop production, approximately 96.064 hectares are for beef cattle production, 100,911 hectares are for sheep production, 4, 334 hectares are for milk production and approximately 3,185 hectares are leased to third parties for crop and beef cattle production. The remaining 238,012 hectares of land reserve are primarily natural woodlands. In addition, through our subsidiary Agropecuaria Anta S.A. we have the right to hold approximately 132,000 hectares of land under concession for a 35-year period that can be extended for another 29 years. Also, during fiscal year 2009 ended on June 30, 2009, we leased 57,938 hectares from third parties for crop production and 32,795 hectares for beef cattle production.

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

		At June 30,	
	2007(1)(4)	2008(1)(4)(5)	2009(1)(6)
		(in hectares)	
Crops(2)	53,579	63,900	115,411
Beef cattle	114,097	123,935	128,859
Milk	2,609	4,320	4,334
Sheep	90,000	90,000	100,911
Land reserves (3)	393,677	383,573	356,796
Owned farmlands leased to others	13,771	8,467	8,317
Total	667,733	674,195	714,628

(1) Includes 35.7% of approximately 8,299 hectares owned by Agro Uranga S.A., an affiliated Argentine company in which we own a non-controlling 35.7% interest. See Organizational Structure Subsidiaries and Affiliated Companies.

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(2) Includes wheat, corn, sunflower, soybean, sorghum and others.
(3) We use part of our land reserves to produce fence posts and rods.
(4) Includes approximately 162,000 hectares through our 99.99% interest in Agropecuaria Anta S.A. which holds, among other assets and rights, the concession for the start-up of production pertaining to a comprehensive development project. See Organizational Structure Subsidiaries and Affiliated Companies.
(5) Includes 24.0% of approximately 170 hectares owned by Cactus Argentina S.A., an affiliated Argentine company in which we have a non-controlling 24.0% interest. See Organizational Structure Subsidiaries and Affiliated Companies.
(6) Includes 12,166 hectares of farms which are located in Santa Cruz de la Sierra, Bolivia. Includes 50% of the 41,931 hectares located in the District of Boquerón, Paraguay, owned by Cresca S.A. through our equity interest in Agrology S.A. Does not include 30,000 hectares of Agropecuaria Anta S.A. which were returned due to the reduction in the concession scope established by Decree No. 3766 of the Executive Branch of Salta. Includes 48% of the 170 hectares owned by Cactus Argentina S.A. See Organizational Structure Subsidiaries and Affiliated Companies.

In September 2005, we, together with certain Brazilian partners, founded BrasilAgro, a startup company organized to exploit opportunities in the Brazilian agricultural sector. In April 2006, BrasilAgro increased its capital through a global and domestic offering of common shares, and as of June 30, 2009, we owned 19.14% of the outstanding common shares of BrasilAgro. As of June 30, 2009, our investment in BrasilAgro represented approximately 3.6% of our total consolidated assets.

History

We were incorporated in 1936 as a subsidiary of *Credit Foncier*, a Belgian company engaged in the business of providing rural and urban loans in Argentina. We were incorporated to administer real estate holdings foreclosed by *Credit Foncier*. *Credit Foncier* was liquidated in 1959, and as a part of such liquidation, our shares were distributed to *Credit Foncier* s shareholders and in 1960 were listed on the Buenos Aires Stock Exchange. During the 1960s and 1970s, our business shifted to exclusively agricultural activities.

During 1993 and 1994, Consultores Assets Management acquired on behalf of certain investors approximately 22% of our outstanding shares on the Buenos Aires Stock Exchange. In late 1994, an investor group led by Consultores Assets Management (including Dolphin Fund plc.) purchased additional shares increasing their aggregate shareholding to approximately 51.4% of our outstanding shares. In 1997, we increased our capital through a rights offering and global public offering of ADRs representing our common shares and listed such ADRs on the NASDAQ. In March 2008, we concluded the capital increase for 180 million shares, in which 100% of the shares offered were subscribed locally and internationally.

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

As of June 30, 2009, we have invested approximately Ps.789.0 million to acquire our current 55.64% equity interest of IRSA. IRSA is one of Argentina s largest real estate companies. IRSA is engaged in a range of diversified real estate activities including residential properties, office buildings, shopping centers, credit cards and luxury hotels in Argentina. A majority of our directors are also directors of IRSA.

Strategy

We seek to maximize our return on assets and overall profitability by (i) identifying, acquiring and exploiting agricultural properties having attractive prospects for agricultural production and/or long-term value appreciation and selectively disposing of properties as appreciation is realized, (ii) optimizing the yields and productivity of our agricultural properties through the implementation of state-of-the-art technologies and agricultural techniques and (iii) through our affiliate IRSA, we seek to take advantage of its position as a leading company in Argentina dedicated to owning, developing and managing urban real estate.

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Focus on maximizing value of our agricultural real estate assets

We conduct our agricultural activities with a focus on maximizing the value of our real estate assets. We seek to rotate our portfolio of properties over time by purchasing large parcels of land which we believe have a high potential for appreciation and selling them selectively as opportunities arise to realize attractive capital gains. We believe that our ability to realize gains from appreciation of our farmlands is based on the following principles:

- Acquiring under-utilized properties and enhancing their land use: We seek to purchase under-utilized properties at attractive prices and develop them to achieve more productive uses. We seek to do so by (i) transforming non-productive land into cattle feeding land, (ii) transforming cattle feeding land into land suitable for more productive agricultural uses, (iii) enhancing the value of agricultural lands by changing their use to more profitable agricultural activities; and (iv) reaching to the final stage of the real estate development cycle by transforming rural properties into urban areas as the boundaries of urban development continue to extend into rural areas. To do so, we generally focus on acquisitions of properties outside of highly developed agricultural regions and/or properties whose value we believe is likely to be enhanced by proximity to existing or expected infrastructure.

- Applying modern technologies to enhance operating yields and property values. We believe that an opportunity exists to improve the productivity and long-term value of inexpensive and/or underdeveloped land by investing in modern technologies such as genetically modified and high yield seeds, direct sowing techniques, machinery, crop yield optimization through land rotation, irrigation and the use of fertilizers and agrochemicals. To enhance our cattle production, we use genetic technology and have a strict animal health plan controlled periodically through traceability systems. In addition, we have introduced a feedlot to optimize our beef cattle management and state-of-the-art milking technologies in our dairy business.

- Anticipating market trends. We seek to anticipate market trends in the agribusiness sector by (i) identifying opportunities generated by economic development at local, regional and worldwide levels, (ii) detecting medium- and long-term increases or decreases in supply and demand caused by changes in the world s food consumption patterns and (iii) using land for the production of food and energy, in each case in anticipation of such market trends.

- International expansion. Although most of our properties are located in different areas of Argentina, we have begun a process of expansion in other Latin American countries. We believe that an attractive opportunity exists to acquire and develop agricultural properties outside Argentina, and our objective is to replicate our business model in such other countries which include, among others, Brazil, Bolivia, Paraguay and Uruguay. For example, in 2005 we and several Brazilian partners founded BrasilAgro. As of June 30, 2009, BrasilAgro had 8 properties totaling 166,343 hectares, purchased at highly attractive values compared to the average prices prevailing in the respective regions, all of which have a huge appreciation potential. In addition, during the fiscal year 2009, Cresud entered into a number of agreements to formalize its positioning in South American countries. At June 30, 2009, the Company owned 12,166 hectares located in the Republic of Bolivia, and 50% of 41,931 hectares located in the Republic of Paraguay.

Increase and optimize production yields

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

- Implementation of technology. We seek to continue using state-of-the-art technology to increase production yields. We plan to make further investments in machinery and the implementation of agricultural techniques such as direct sowing to improve cereal production. We believe that we may improve crop yields by using high-potential seeds (GMOs) and fertilizers and by introducing advanced land rotation techniques. In addition, we intend to continue installing irrigation equipment in some of our farms to achieve higher output levels.

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We seek to continue improving beef cattle production through the use of advanced breeding techniques and technologies related to animal health. We plan to improve the use of pastures and expect to make further investments in infrastructure, including installation of watering troughs and electrical fencing.

We have implemented an individual animal identification system, using plastic tags for our beef cattle and RFID tags for our dairy cattle, to comply with national laws on traceability. Also, we acquired software from Westfalia Co. which enables us to store individual information about each of our dairy cows. In the beef cattle business, we initiated Argentina s first vertically integrated beef cattle processing operation by entering into a partnership with Tyson Foods (through its controlled subsidiary Provemex Holdings LLC), hereinafter Tyson Foods , to set up Cactus, a feedlot and slaughterhouse operator.

In connection with our milk production, we plan to continue developing our activities through the use of state-of-the-art technology and advanced feeding and techniques relating to animal health. For instance, in May, 2007 we inaugurated one of the most modern milk production facilities in Argentina, achieving a daily production of more than 40,000 liters.

Increased production. We seek to increase our crop, beef cattle and milk production in order to achieve economies of scale by:

Increasing our owned land in various regions of Argentina by taking advantage of attractive land purchase opportunities as they arise;

Leasing productive properties to supplement our expansion strategy, using our liquidity to make productive investments in our principal agricultural and livestock activities. We believe that leasing enhances our ability to diversify our production and geographic focus, in particular in areas not offering attractive prospects for appreciation of land value;

Developing properties in areas where agricultural and livestock production is not developed to its full potential. As of June 30, 2009, we owned 238,012 hectares of land reserves and held approximately 132,000 hectares under concession located in under-utilized areas where agricultural and livestock production is not yet fully developed. We believe that technological tools are available to improve the productivity of such land and enhance its long-term value. However, existing or future environmental regulations may prevent us from completely developing our land reserves, requiring us to maintain a portion of such land as unproductive land reserves;

Diversifying market and weather risk by expanding our product and land portfolio. We seek to continue diversifying our operations to produce a range of different agricultural commodities in different markets, either directly or in association with third parties. We believe that a diversified product mix mitigates our exposure to seasonality, commodity price fluctuations, weather conditions and other factors affecting the agricultural and livestock sector. To achieve this objective in Argentina, we expect to continue to own and lease farmlands in various regions with differing weather patterns and to continue to seed a range of diversified products. Moreover, we believe that continuing to expand our agricultural operations outside of Argentina will enhance our ability to produce new agricultural products, further diversifying our mix of products, and mitigate further our exposure to regional weather conditions and country-specific risks.

Focus on developing and managing our real estate business, through our affiliate IRSA

We believe that IRSA is an ideal vehicle through which to participate in the urban real estate market due to its substantial and diversified portfolio of residential and commercial properties, the strength of its management and what we believe are its attractive prospects for future growth and profitability. Our urban real estate business strategy seeks to generate stable cash flows through the operation of our real estate rental assets (shopping centers, office buildings and hotels), achieve long-term appreciation of our asset portfolio by taking advantage of development opportunities, and increase the productivity of land reserves and enhance the margins of our sales and developments segment through, the organization of partnerships with other developers.

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Shopping centers. In recent years, the Argentine shopping center industry has benefited from improved macroeconomic conditions and a significant expansion in consumer credit. We believe that the Argentine shopping center sector offers attractive prospects for long-term growth due to, among other factors, a continuing evolution of consumer preferences in favor of shopping malls (away from small neighborhood shops) and a level of shopping center penetration that we consider low compared to many developed countries. We seek to improve our leading position in the shopping center industry in Argentina by means of the generation of a sustainable growth in cash flow and the increase in the long-term value of our property assets. Our core operating strategy is to maximize revenue growth and profitability from our shopping centers. We maintain our leadership by developing new shopping centers in urban areas with attractive prospects for growth, including in the Buenos Aires metropolitan area, Argentine provincial cities, and possibly elsewhere in Latin America.

Consumer financing. IRSA has developed a credit card consumer financing business through Tarshop, its controlled subsidiary. Tarshop s operations consist primarily of lending and servicing activities relating to the credit card products we offer to consumers at shopping centers, hypermarkets and street stores.

Development and sale of properties. During the economic crisis in Argentina in 2001 and 2002, a scarcity of mortgage financing restrained growth in middle class home purchases. As a result, in recent years, we focused on projects for affluent individuals who did not need to finance their home purchases, by concentrating on the development of residential properties for medium- and high-income individuals. In urban areas, we seek to purchase undeveloped properties in densely-populated areas and build apartment complexes offering greenspace for recreational activities. In suburban areas, we seek to develop residential communities by acquiring undeveloped properties with convenient access to Buenos Aires, developing roads and other basic infrastructure such as power and water, and then selling lots for the construction of residential units. During fiscal year 2008, IRSA entered into a partnership with Cyrela Empreendimentos e Participações, a leading Brazilian residential real estate developer, to penetrate in other market segments left unattended until now. IRSA-CYRELA will develop residential real estate projects in Argentina for purposes of increasing our presence in this business by offering financing to our customers.

Office and other non- shopping center properties. During the Argentine economic crisis in 2001 and 2002, little new investment was made in high-quality office buildings in Buenos Aires and, as a result, we believe there is currently substantial demand for desirable office space in Buenos Aires. We seek to purchase, develop and operate premium office buildings in strategically-located business districts in the City of Buenos Aires and other locations that we believe offer potential for rental income and long-term capital gain. We expect to continue our focus on attracting premium corporate tenants to our office buildings and will consider opportunities to acquire existing properties or construct new buildings depending on the location and circumstances.

Hotel operations. We believe our portfolio of three luxury hotels is positioned to take advantage of future growth in tourism and business travel in Argentina. Our strategy has been to invest in high-quality properties which are operated by leading international hotel companies to capitalize on our operating experience and international reputation. The aggregate number of rooms that we have in Hotel Sheraton Libertador, Hotel Llao Llao and Hotel Inter Continental is 710. In December, 2007 we inaugurated 43 new suites in the Hotel Llao Llao in Bariloche, Argentina. To keep a high service level in the Hotel Sheraton Libertador and Hotel Intercontinental we have remodeled in the past and may continue making improvements in the future.

Financial Operations and others. Banco Hipotecario is a full-service commercial bank offering a wide variety of banking activities and related financial services to individuals, small- and medium-sized companies and large corporations. Among these services, mortgage loans stand out as Banco Hipotecario a leader in this segment in Argentina. Since 1999, Banco Hipotecario s shares have been listed on the Buenos Aires Stock Exchange, and since 2006 it has obtained the Level 1 ADR program of the Bank of

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New York. We believe that our 26.86% investment in Banco Hipotecario attractive prospects for long-term appreciation. Unlike other countries, Argentina has a low level of mortgages outstanding, measured in terms of GDP; accordingly, a significant potential growth is expected for this sector in the future.

Land reserves. We continuously seek to acquire undeveloped land at locations we consider attractive inside and outside Buenos Aires. In all cases, our intention is to purchase land with significant development or appreciation potential for subsequent sale. We believe that holding a portfolio of desirable undeveloped parcels of land enhances our ability to make strategic long-term investments and affords us a valuable pipeline of new development projects for upcoming years.

International. In the past, IRSA had made significant real estate investments outside of Argentina, including investments in Brazil Realty S.A. in Brazil and Fondo de Valores Inmobiliarios in Venezuela which we disposed of in 2002 and 2001, respectively. Pursuant to our business strategy, we will make future real estate investments in Argentina and abroad as long as it identifies attractive investment and development opportunities.

In July 2008, IRSA acquired 30% of Metropolitan 885 Third Ave. LLC (or Metropolitan whose main asset is an office building in the City of New York located on the Third Avenue between 53rd and 54th streets, in the District of Manhattan. In addition to the building, the acquired company includes the debt associated with such asset.

Our Principal Agricultural Business Activities

During the fiscal year ended June 30, 2009, we conducted our operations on 25 owned farms and 74 leased farms. Some of the farms we own are engaged in more than one productive activity at the same time.

The following table sets forth, for the periods indicated, our production volumes by principal product line:

	Year ended June 30,		
	2007[(1)]	**2008[(1)]**	**2009[(1)]**
Crops[(2)]	175,455	198,146	237,031
Beef cattle[(3)]	9,913	8,786	7,112
Milk[(4)]	16,663	20,825	20,898

(1) Does not include production from Agro-Uranga S.A.
(2) Production measured in tons.
(3) Production measured in tons of live weight. Production is the sum of the net increases (or decreases) during a given period in live weight of each head of beef cattle owned by us.
(4) Production measured in thousands of liters.

Crop Production

Our crop production is mainly based on grains and oilseeds. Our crop production includes mainly wheat, corn, soybean and sunflower. Other crops, such as sorghum, are sown occasionally and represent only a small percentage of total sown land.

The following table shows, for the periods indicated, our crop production volumes:

	Crop Production Year ended June 30,		
	2007[1]	2008[1]	2009[1]
		(in tons)	
Wheat	16,651	21,583	21,375
Corn	80,728	94,021	110,149
Sunflower	6,797	9,283	13,030
Soybeans	61,283	59,479	76,893
Other	9,996	13,781	15,584
Total	175,455	198,146	237,031

(1) Does not include production from Agro-Uranga S.A.

The following table shows the sown surface area assigned to crop production, classified into owned, under lease and under concession for the periods indicated below:

	Sown Land for Crop Production[1] Year ended June 30,		
	2007	2008	2009
		(in hectares)	
Owned[2]	27,047	29,640	47,729
Leased	25,307	30,449	59,615
Under Concession[3]	1,225	3,811	8,067
Total	53,579	63,900	115,411

(1) Sown land may differ from Uses of Land, since some hectares are sown twice and therefore are counted twice.

(2) Includes hectares from Agro-Uranga S.A. See Organizational Structure Subsidiaries and Affiliated Companies.

(3) Includes hectares from Agropecuaria Anta. See Organizational Structure Subsidiaries and Affiliated Companies.

As of June 30, 2009, our crop stocks consisted in 4,002 tons of wheat, 36,517 tons of corn, 25,561 tons of soybean, 3,486 tons of sorghum and 8,648 tons of sunflower; whereas as of June 30, 2008 such stocks consisted in 14,017 tons of wheat, 43,678 tons of corn, 44,566 tons of soybean, 4,839 tons of sorghum and 4,162 tons of sunflower. As of June 30, 2009, the surface of leased land was 52% of the total sown land.

At June 30, 2009, 100% of wheat, 100% of soybean, 84% of corn and 100% of sunflower were harvested, while at June 30, 2008, 100% of wheat, 97% of soybean, 80% of corn and 100% of sunflower were harvested.

As of June 30, 2009, our crop stocks consisted in 4,002 tons of wheat, 36,517tons of corn, 25.561 tons of soybean, 3,486 tons of sorghum and 8,648 tons of sunflower; whereas as of June 30, 2008 such stocks consisted in 14,017 tons of wheat, 43,678 tons of corn, 44,566 tons of soybean, 4,839 tons of sorghum and 4,162 tons of sunflower. As of June 30, 2009, the surface of leased land was 52% of the total sown land.

We seek to diversify our mix of products and the geographic location of our farmlands to achieve an adequate balance between the two principal risks associated with our activities: weather conditions and the fluctuations in the prices of commodities. In order to reduce such risks, we own and lease land in several areas of Argentina with different climate conditions to permit us to be able to sow a diversified range of products. Our leased land for crops is located in Pampa region, a favorable area for crop production. The leased farms are previously studied by technicians who analyze future production expectations based on the historic use of the land. The initial duration of lease agreements is typically one or three seasons. Leases of farms for production of crops generally consist of lease agreements with payments based on a fixed amount of Pesos per hectare or crop sharing agreements (aparcería) with payments in kind based on a percentage of the crops obtained or a fixed amount of tons of grains obtained or their equivalent value in Pesos. The principal advantage of leasing farms is that leases do not require us to commit large amounts of capital to the acquisition of lands but permit us to obtain results similar to those generated by our owned farms.

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Also, this strategy decided by our professional team, allows us to increase or decrease our scale in the short term and reduce the risk of inclement weather. The disadvantage of this strategy is that the cost of leasing can increase over time, in part, because increased demand for leased land increases leased land prices.

In order to increase our production yields, we use labor control methods for the supervision of seeding quality (density, fertilization, distribution, and depth), crop monitoring (determination of natural losses and losses caused by harvester) and verification of bagged crop quality.

Wheat seeding takes place from June to August, and harvesting takes place from December to January. Corn, soybean and sunflower are sown from September to January and are harvested from February to June. Grains are available to be sold as commodities after the harvest from December to June and we usually store part of our production until prices recover after the drop that normally takes place during the harvesting campaign. A major part of production, especially wheat and sunflower seeds, corn and sorghum is sold and delivered to buyers pursuant to agreements in which price conditions are fixed by reference to the market price at a specific time in the future that we determine. The rest of the production is either sold at current market prices or delivered to cover any futures contract that we may have entered into.

During fiscal year 2009, we invested approximately Ps 8.5 million in irrigation equipment, machinery and technology application through no till sowing.

Beef Cattle Production

Our beef cattle production involves the breeding and fattening of our own animals. In some cases, if market conditions are favorable, we also purchase and fatten cattle which we sell to slaughterhouses and supermarkets. As part of our strategy to expand our activities within the beef cattle production chain, during 2003 we started to slaughter our own cattle after obtaining the needed licenses. As of June 2009, our beef cattle aggregated 87,803 heads, and we had a total surface area of 95,982 own hectares dedicated to this business activity.

During the fiscal year ended June 30, 2009, our beef cattle activities generated sales of Ps.17.7 million, representing 7.4% of our consolidated sales, and our production was 7,112 tons, a decrease of 19.1% compared to the previous fiscal year. The decrease in production and sales volume was primarily due to the fact that less heads of cattle were sent to the feedlot, which delayed the fattening process. In addition, it should be noted that the scarce rainfall in certain producing areas forced us to relocate livestock in some cases, which resulted in alterations in the cattle fattening process.

The following table sets forth, for the periods indicated below, the beef cattle production volumes:

	Year ended June 30,		
	2007(1)	**2008(1)**	**2009(1)**
Beef cattle production (in tons)(2)	9,913	8,786	7,112

(1) Does not include production from *Agro Uranga S.A.*

(2) Production measured in tons of live weight. Production is the sum of the net increases (or decreases) during a given period in live weight of each head of beef cattle owned by us.

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

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Our cattle breeding activities are carried out with breeding cows and bulls and its fattening activities apply to steer, heifers and calves. Breeding cows calve approximately once a year and their productive lifespan is from six to seven years. Six months after birth, calves are weaned and transferred to fattening pastures. Acquired cattle are submitted to the fattening process and to increase our cattle stock. Upon starting this process, cattle have been grazing for approximately one year to one and a half year in order to be fattened for sale. Steer and heifers are sold when they have achieved a weight of 380 430 kilograms and 280 295 kilograms, respectively, depending on the breed.

Pregnancy levels, which have been improving over the years, showed satisfactory levels of efficiency notwithstanding the adverse weather conditions. Genetics and herd management is expected to further improve pregnancy levels in the coming years. The implementation of technologies improved the reproductive indicators such as cattle still on technique, females artificial insemination with cattle genetic especially selected to the stock which is purchased from specialized companies in meat quality semen elaboration. Although it was implemented a strict sanitation calendar, adapted to each zone, animal category and month of the year. We use veterinarians products of the principal nationals and internationals laboratories. It is important to emphasize the work of a veterinarians advisers committee, who are external to us and they visit each establishment regularly to control and agreed tasks.

Currently, the cattle raising farms are officially registered as export farmlands pursuant to the identification and traceability rules in force in Argentina. Animals are individually identified, thus allowing for the development of special businesses in this area. Although the cattle farms have been qualified with the EurepGap N, which allows us to sell some animals for consumption in Europe.

Within the process of de-commoditization and technological innovation, we implemented a self-developed identification and tracing system in compliance with European and the National Service of the Sanitation and Quality for Agricultural Food Products (*Servicio Nacional de Sanidad y Calidad Agroalimentaria*, or SENASA) standards. With the purpose of distinguishing our production and obtaining higher prices in production sales, we plan to extend the use of the tracing system to our whole herd.

Our beef cattle stock is organized into breeding and fattening activities. The following table indicates, for the periods indicated, the number of head of beef cattle for each activity:

	Year ended June 30,		
	2007(2)	**2008(2)**	**2009(2)**
Breeding(1)	62,181	57,999	59,283
Fattening	21,546	22,359	28,520
Total	83,727	80,358	87,803

(1) For classification purposes, upon birth, all calves are considered to be in the breeding process.
(2) Does not include head of beef cattle from Agro-Uranga S.A. and Cactus. See Organizational Structure Subsidiaries and Affiliated Companies.

We seek to improve beef cattle production and quality in order to obtain a higher price through advanced breeding techniques. We cross breed our stock of Indicus, British (Angus and Hereford) and Continental breeds to obtain herds with characteristics better suited to the pastures in which they graze. To enhance the quality of our herds even further, we plan to continue improvement of our pastures through permanent investment in seeds and fertilizers, an increase in the watering troughs available in pastures.

Our emphasis on improving the quality of our herd also includes the use of animal health-related technologies. We comply with national animal health standards that include laboratory analyses and vaccination aimed at controlling and preventing disease in our herd, particularly FMD (Foot and mouth disease).

Direct costs of beef production consist primarily of seeds for pasture (for instance, gatton panic and other pastures) and crops for feeding and supplementation purposes and animal health costs, among others.

During the fiscal year 2009 we invested approximately Ps.7.8 million in equipment, machinery, pastures and genetic improvement in relation to cattle production.

Milk Production

We conduct our milk business in three dairy facilities located in two farms, La Juanita and El Tigre . We have a total capacity of 3,800 cows in milking per day and seek to increase total production through the application of new technologies including improved genetic management for milk production, feeding strategic planning based on cattle specific requirements and the use of individual traceability to know the productivity history of each animal. Also we use computer science in milk business to make more efficient the manual labor by surveying the information supplied from the farms.

Within the process of de-commodization and technological innovation, we implemented and indentification and tracing system in compliance with the European and SENASA standards, with the propouse of distinguinshing our production and obtaining higher prices in production sales.

Our milk production is generally based on a herd of Holando Argentina dairy cows, genetically selected through the use of imported frozen semen of North American Holando bulls. Male calves are sold, at calving, for a given amount per head, whereas female calves are weaned after 24 hours, spend approximately 60 days in raising and approximately 100 being days fed on the basis of grass, grains and supplements. Young heifers then graze for an additional 12 to 15 month period, prior to artificial insemination at the age of 18 to 20 months and they calve nine months later. Heifers are subsequently milked for an average of 300 days. Milking dairy cows are once again inseminated during the 60 to 90 day period following. This process is repeated once a year during six or seven years. The pregnancy rate for our dairy cows is 80-90%.Our dairy herd is milked mechanically twice a day. The milk obtained is cooled to less than five degrees centigrade and is then stored in a tank for delivery once a day to trucks sent by buyers. Dairy cows are fed mainly with grass, supplemented as needed with grains, hay and silage. For winter grazing, corn stubbles are also used.

We have invested in certain technologies that focus on genetic improvement, animal health and feeding in order to improve our milk production. These investments include imports of top quality frozen semen from genetically improved North American Holstein bulls, agricultural machinery and devices such as feed-mixer trucks, use of dietary supplements and the installation of modern equipment to control milk cooling. We are currently acquiring dietary supplements for our dairy cows and have made investments with the aim of increasing the quantity and quality of forage (pasture, alfalfa and corn silage) in order to reduce feeding costs.

The following table sets forth, for the periods indicated, the average number of our dairy cows, average daily production per cow and our total milk production:

	Year Ended June 30,		
	2007(1)	**2008**(1)	**2009**(1)
Average milking cows	2,677	3,174	3,286
Daily production (liters per cow)	17.1	18.0	17.4
Total production (thousands of liters)	16,663	20,825	20,898

(1) Does not include production from Agro-Uranga S.A. See Organizational Structure Subsidiaries and Affiliated Companies.

During fiscal year 2007, we had 6,507 total heads of cattle on 2,376 hectares involved in the production of milk. During fiscal year 2008, we had 7,866 total heads of cattle on 4,092 hectares involved in the production of milk. As of June 30, 2009 we applied 7,634 total heads of cattle on 4,106 hectares to milk production.

During fiscal year 2009, we invested an approximate amount of Ps.1.5 million in equipment, machinery and pastures and development in connection with our dairy herd.

Land Acquisitions

We intend to increase our farmland portfolio by acquiring large surfaces of land with high appreciation potential. We also intend to transform the land acquired from non-productive to cattle breeding, from cattle breeding to farming, or applying state-of-the-art technology to improve farming yields so as to generate higher appreciation.

In our view, the sector s potential lies in developing marginal areas and/or underutilized areas. As a result of current technology, we may achieve similar yields with higher profitability than core areas; this may result in the appreciation of land values.

At present, prices of farmlands used in agricultural production have increased in the southern hemisphere (mainly South America) but continue to be relatively low compared to the northern hemisphere (U.S. and Europe). Our financial strength relative to other Argentine producers enables us to increase our land holdings at attractive prices, increase our production scale and create potential for capital appreciation.

Several important intermediaries, with whom we usually work, bring farmlands available for sale to our attention. The decision to acquire farmlands is based on the assessment of a number of factors. In addition to the land s location, we normally carry out an analysis of soil and water, including the quality of the soil and its suitability for our intended use (crops, beef cattle, or milk production), classify the various sectors of the lot and the prior use of the farmland; analyze the improvements in the property, any easements, rights of way or other variables in relation to the property title; examine satellite photographs of the property (useful in the survey of soil drainage characteristics during the different rain cycles) and detailed comparative data regarding neighboring farms (generally covering a 50-km area). Based on the foregoing factors, we assess the farmland in terms of the sales price compared against the production potential of the land and the appreciation potential of the capital. We consider that competition for the acquisition of farmlands is, in general, limited to small farmers for the acquisition of smaller lots, and that there is scarce competition for the acquisition of bigger lots.

In addition, we may consider the acquisition of farmlands in marginal zones and their improvement by irrigation in non-productive areas as well as the installation of irrigation devices in order to obtain attractive production yields and create potential for capital appreciation.

In June, 2008, we executed a preliminary sales agreement without possession in respect of 10,910 hectares of Estancia Carmen farm, located in the Province of Santa Cruz, adjacent to our 8 de Julio farm, for an aggregate purchase price of US$ 0.7 million, 25% of which was paid upon execution of the title deed and the remaining balance was paid on September 5, 2008, date on which the title deed was executed.

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

On May 30, 2008, IRSA signed, as nominee, a bill of purchase with delivery of possession for 115 hectares of a parcel of a farm located in the District of Luján, Province of Buenos Aires. The transaction was agreed for a price of US$ 3.0 million, of which the amount of US$ 1.2 million was paid on that date. On December 13, 2008, the Company was formally recognized as principal of the transaction; the balance of US$ 1.8 million will be paid by the Company upon execution of the title deed.

On July 28, 2008, we signed a bill of purchase for 4,566 hectares of Las Londras farm located in the Province of Guarayos, Republic of Bolivia. The transaction was agreed for a price of US$ 11.4 million, of which US$ 1.1 million were paid on the date of execution of the bill of purchase, and US$ 3.8 million were paid on January 22, 2009, the date on which the bill of purchase was cast into public deed. The balance, as of the date of this Annual Report, will be paid without interest within 24 months of the above mentioned date. A mortgage was set up on behalf of the sellers to guarantee the payment of the purchase price balance, effective until the date of the last payment.

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On July 28, 2008, we signed a bill of purchase for 883 and 2,969 hectares of San Cayetano and San Rafael farms, respectively, located in the Province of Guarayos, Republic of Bolivia. The transaction was agreed for a price of US$ 8.8 million, of which US$ 0.9 million were paid on the date of execution of the bill of purchase, and US$ 2.9 million were paid on November 19, 2008, the date on which the bill of purchase was cast into public deed. The balance, as of the date of this Annual Report, will be paid without interest within 24 months of the above mentioned date. A mortgage was set up on behalf of the sellers to guarantee the payment of the purchase price balance, effective until the date of the last payment.

On July 28, 2008, we signed a bill of purchase for 3,748 hectares of La Fon Fon farm, located in the Province of Obispo Santiesteban, Republic of Bolivia. The transaction was agreed for a price of US$ 8.6 million, of which US$ 1.4 million were paid on the date of execution of the bill of purchase, and US$ 2.3 million were paid on November 19, 2008, the date on which the bill of purchase was cast into public deed. The balance, as of the date of this Annual Report, will be paid without interest within 24 months of the above mentioned date. A mortgage was set up on behalf of the sellers to guarantee the payment of the purchase price balance, effective until the date of the last payment.

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

The following chart shows, for the fiscal years indicated below, certain information concerning our land acquisitions:

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

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

Land Sales

We periodically sell properties that have reached a considerable appraisal to reinvest in new farms with higher appreciation potential. We analyze the possibility of selling based on a number of factors, including the expected future yield of the farmland for continued agricultural and livestock exploitation, the availability of other investment opportunities and cyclical factors that have a bearing on the global values of farmlands.

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The following chart shows, for the fiscal years indicated below, certain information concerning our land sales:

Fiscal Year	Number of Farmlands	Gross Proceeds from Sales *(Ps. million)*	Profit/(Loss)[1] *(Ps. million)*
1998 [2]	1	6.8	4.1
1999 [3]	2	27.8	9.4
2000			
2001 [4]	2	9.0	3.0
2002 [5]	3	40.6	14.8
2003 [6]	2	12.0	4.9
2004 [7]	2	4.1	1.7
2005 [8]	2	29.8	20.0
2006 [9]	1	16.1	9.9
2007 [10]	3	29.9	22.3
2008 [11]	2	23.0	20.0
2009 [12]	2	2.0	1.9

(1) Includes the difference between the gross proceeds from sales (net of all taxes and commissions) and the book value of the assets sold.
(2) Includes the sale of 7,878 hectares of Moroti and Santa Rita farms.
(3) Includes the sale of El Meridiano and Runciman farms of 6,302 and 3,128 hectares, respectively.
(4) Includes the sale of El Bañadito and Tourne farms of 1,789 and 19,614 hectares, respectively.
(5) Includes the sale of El Silencio , La Sofia and El Coro farms of 397 hectares, 6,149 hectares and 10,321 hectares, respectively.
(6) Includes the sale of Los Maizales and San Luis farms of 618 and 706 hectares, respectively.
(7) Includes the sale of 41-42 farm of 6,478 hectares and 5,997 hectares of IGSA s land reserves.
(8) Includes the sale of Ñacurutú and San Enrique farms of 30,350 and 977 hectares, respectively. It also includes the results of the sale of a two-hectare parcel owned by IGSA.
(9) Includes the sale of El Gualicho farm of 5,727 hectares.
(10) Includes the sale of 20,833 hectares of Tapenagá farm and the partial sale of 14,516 hectares of Los Pozos farm and 50 hectares of El Recreo farm.
(11) Includes the partial sale of 4,974 hectares of Los Pozos farm and the partial sale of 2,430 hectares of La Esmeralda farm.
(12) Includes the partial sale of 1,658 hectares of Los Pozos farm and the partial sale of 1,829 hectares of El Recreo farm.

On October 7, 2008, we signed a preliminary sales agreement without possession for 1,658 hectares of the Los Pozos Farm located in the Province of Salta. The price of the transaction was US$ 0.5 million, out of which US$ 0.3 million were collected at such time and US$ 0.2 were collected on April 7, 2009, date on which the title deed was executed.

On April 7, 2009, we signed the deed of sale for 1,658 hectares of Los Pozos farm located in the Province of Salta. The transaction was agreed for a price of US$ 0.5 million that was collected in full as of the date of this Annual Report.

On July 24, 2008, we signed the deed of sale for two parcels of El Recreo farm (1,829 hectares), located in the Province of Catamarca. The transaction was agreed for a price of US$ 0.36 million, of which US$ 0.12 million were paid. The balance of US$ 0.24 million will be paid in two annual and consecutive installments plus interest equivalent to the Libor rate plus 3%. The gain from this transaction was recognized during the last fiscal year as established in point 5.11.2 of Technical Resolution No. 17 of the Argentine Federation of Professional Councils in Economic Sciences (FACPCE).

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Farms

As of June 30, 2009, we owned, together with our subsidiaries, 25 farms, with a total surface area of 484,246 hectares.

The following table sets forth our farm portfolio as of June 30, 2009:

	Owned Farms at June 30, 2009			
	Province	Gross Size (in hectares)	Date of Acquisition	Primary Current Use
La Adela	Buenos Aires	1,054	Original	Crops
La Juanita	Buenos Aires	4,302	Jan. 96	Crops/Milk
San Pedro	Entre Ríos	6,022	Sep. 05	Crops
Las Vertientes	Córdoba	4		Silo
La Esmeralda	Santa Fe	9,370	Jun. 98	Crops/Beef Cattle
La Suiza	Chaco	41,993	Jun. 98	Crops/Beef Cattle
Santa Bárbara/Gramilla	San Luis	7,052	Nov. 97	Crops under irrigation
Cactus(1)	San Luis	82	Dec. 97	Feed lot
Tali Sumaj/El Recreo(2)	Catamarca	25,095	May. 95	Beef Cattle/Natural Woodlands
Los Pozos	Salta	240,858	May 95	Beef Cattle/Crops/ Natural Woodlands
El Invierno	La Pampa	1,946	Jun. 05	Crops
San Nicolás/Las Playas(3)	Sta.Fe/Cba	2,965	May. 97	Crops/Milk
El Tigre	La Pampa	8,365	Apr. 03	Crops/Milk
8 de Julio/Ea. Carmen	Santa Cruz	100,911	May. 07	Sheep
La Esperanza	La Pampa	980	Mar. 08	Crops
Puertas de Luján	Buenos Aires	115	Dic. 08	Other
Las Londras/San Rafael/San Cayetano/La Fon Fon	Bolivia	12,166	Ene 09/Nov. 08	Crops
Jerovia(4)	Paraguay	20,966	Feb. 09	Natural woodlands
Total		**484,246**		

(1) Hectares in proportion to our 48.0% interests in Cactus Argentina S.A.
(2) Hectares in proportion to our 99.99% interest in Inversiones Ganaderas S.A.
(3) Hectares in proportion to our 35.723% interest in Agro Uranga S.A.
(4) Hectares in proportion to our 50.0% interest in Cresca S.A. through Agrology S.A.

La Adela. Located 60 kilometers northwest of Buenos Aires, La Adela is one of our original farms. In December 2001, La Adela s dairy facility was closed down, and its total surface area is now used for crop production. During the fiscal year ended June 30, 2009, 1,092 hectares were used for wheat, corn and soybean crops for high-yielding grain production. Between March 2005 and December 2007 we bought an additional 72 hectares which were added to the existing 982 hectares.

La Juanita. The La Juanita farm, located 440 kilometers southwest of Buenos Aires, was acquired in January 1996. As of June 30, 2009, 3,739 heads of cattle were grazing in 1,864 hectares of sown and natural pastures, and 1,820 hectares were used for crop production. This farm produced 10.0 million liters of milk during the fiscal year ended June 30, 2009, with an average of 1,664 dairy cows being milked and 16.3 liters per cow per day.

El Recreo. Weather conditions in El Recreo farm, located 970 kilometers northwest of Buenos Aires, in the Province of Catamarca, and acquired in May 1995, are similar to those in Tali Sumaj farm, with semi-arid climate and annual rainfall not in excess of 400 mm. This farm is maintained as a productive reserve.

On August 28, 2006, we signed a bill of sale for 1,800 hectares of El Recreo farm in the amount of US$ 0.15 million. As advance payment we have received US$ 0.05 million. This sale has not been recorded in our financial statements as title to the land has not yet been transferred.

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On January 19, 2007, we signed a bill of sale for 50 hectares of El Recreo farm owned by us and Arcor Sociedad Anónima Industrial y Comercial in the amount of Ps.0.7 million. The purchase price has been fully paid to us.This sale has been recognized as the possession of the plot of land was effected at the time of signing the preliminary sales contract.

On July 24, 2008, we signed the deed of sale for two parcels of land in El Recreo farm (1,829 hectares) located in the Province of Catamarca. The transaction was agreed for a price of US$ 0.36 million paid as follows: US$ 0.12 million upon execution of the deed of sale, and the balance of US$ 0.24 million to be paid in two annual and consecutive installments plus interest equivalent to the Libor rate plus 3%.

Tali Sumaj. The Tali Sumaj farm, located 1,000 kilometers northwest of Buenos Aires, in the Province of Catamarca, was acquired in May 1995 and is located in a semi-arid area. As of June 30, 2009, Tali Sumaj had 3,739 cattle head in approximately 10,280 hectares of natural pastures. The farm is divided into 16 lots with peripheral fencing and watering troughs with a reserve of 1,000,000 liters of water.

Los Pozos. The Los Pozos farm, located 1,600 kilometers northwest of Buenos Aires, in the Province of Salta, was acquired in May 1995. This property is located in a semi-arid area with average annual rainfall of 500 mm. The area is naturally suited to cattle raising and forestry activities (poles and charcoal), and it has agricultural potential for summer crops such as sorghum and corn, among others. For the fiscal year ended June 30, 2009, we used 4,395 hectares in agricultural production. We completed the development of tropical pastures in approximately 43,000 hectares. As of June 30, 2009, there were 55,899 heads of cattle in this farm. This farm has shown major growth through a complete cycle in the production of beef by succeeding in raising, re-raising and fattening steer to be sold at an average weight of 392 kg. On June 5, 2007 we signed the deed of sale for a parcel of 14,516 hectares of Los Pozos farm for a price of US$ 2.2 million, which has been received. The sale generated a gain of US$ 2.0 million. On October 22, 2007, we signed a deed for the transfer of an additional 4,974 hectares of our Los Pozos farm. The aggregate sales price was US$ 1.1 million, which has been fully collected. The sale generated a gain of approximately US$ 1.0 million. On April 7, 2009, we signed the deed of sale for 1,658 hectares of our farm. The transaction was agreed for a price of US$ 0.5 million, that was collected in full as of the date of this Annual Report.

San Nicolás. San Nicolás is a 4,005 hectare farm owned by Agro-Uranga S.A., and is located in the Province of Santa Fe, approximately 45 kilometers from the Port of Rosario. As of June 30, 2009, approximately 6,212 hectares were in use for agricultural production, including double crops. The farm has two plants of silos with storage capacity of 14,950 tons.

Las Playas. The Las Playas farm has a surface area of 4,294 hectares and is owned by Agro-Uranga S.A. Located in the Province of Córdoba, it is used primarily for agricultural and milk production purposes. As of June 30, 2009, the farm had 638 hectares of pasture used for milk production and a sown surface area, including double crops, of 5,716 hectares for grain production.

La Gramilla and Santa Bárbara. These farms have a surface area of 7,052 hectares in Valle del Conlara, in the Province of San Luis. Unlike other areas in the Province of San Luis, this valley has a high quality underground aquifer which makes these farms well suited for agricultural production after investments were made in the development of lands, pits and irrigation equipment. In the course of the 2008/2009 farm season, a total of 2,455 hectares were sown, 822 hectares of which sown under contractual arrangement with seed producers, and we leased, in turn, 1,950 hectares to third parties. The remaining hectares are used as land reserves.

La Suiza. The La Suiza farm has a surface area of 41,993 hectares and is located in Villa Ángela in the Province of Chaco. It is used for raising cattle. As of June 30, 2009, La Suiza had a stock of approximately 13,515 heads of cattle.

La Esmeralda. The La Esmeralda farm has a surface area of 9,370 hectares and is located in Ceres in the Province of Santa Fe. This farm, acquired in June 1998, has potential for both agricultural production and cattle raising. During the 2008/2009 farm season, we used a total area of 4,798 hectares, including double crops, for production of corn, sunflower and sorghum. As of June 30, 2009, La Esmeralda had 4,713 heads of cattle on 4,236 hectares. Our objective is to enhance its cattle raising efficiency, maintaining the bull breeding business, and increase its surface area assigned to agriculture. On December 27, 2007, we agreed to sell to Estancias San Bruno S.A. and Estancias El Algarrobo S.A. a 2,430- hectare parcel of this farm. The aggregate sales price was US$ 6.2 million that has been collected in full. The sale generated a gain of approximately US$ 5.3 million.

El Tigre. The El Tigre farm was acquired on April 30, 2003 and has a surface area of 8,365 hectares. It is located in Trenel in the Province of La Pampa. As of June 30, 2009, 6,160 hectares were assigned to crop production. This farm produced 10.9 million liters of milk in the fiscal year ended June 30, 2009, with an average of 1,623 cows being milked and an average daily production of 18.4 liters per cow.

El Invierno. The El Invierno farm was acquired on June 24, 2005 and has a surface area of 1,946 hectares. It is located in Rancul in the Province of La Pampa, 621 kilometers to the west of Buenos Aires. During the fiscal year ended June 30, 2009, we used the land exclusively for crop production.

San Pedro. The San Pedro farm was purchased on September 1, 2005. It has a surface area of 6,022 hectares and is located in Concepción del Uruguay, Province of Entre Ríos, which is 305 kilometers north of Buenos Aires. In the course of the 2008/2009 farm season, 5,471 hectares were used for agricultural production, including double crops, and 1,235 hectares were leased to third parties for livestock activities.

8 de Julio and Estancia Carmen. The 8 de Julio farm was acquired on May 15, 2007 and has a surface area of 90,000 hectares. It is located in the department of Deseado in the Province of Santa Cruz. Due to its large surface area, this farm offers excellent potential for sheep production. In addition, we believe the land has potential for future tourism and recreational activities, as the southeast border of the farm stretches over 20 kilometers of coast. Estancia Carmen was acquired on September 5, 2008 and has a surface area of 10.911 hectares. It is located in the Province of Santa Cruz, next to our 8 de Julio farm, and as the latter, it has excellent potential for sheep production. As of June 30, 2009, these farms had a stock of 15,826 sheep.

Cactus. The feedlot has a surface area of 170 hectares and is owned by Cactus. It is located in Villa Mercedes, Province of San Luis. Cactus was a joint venture between us, Cactus Feeders Inc., one of the largest feedlot companies in the United States, and Tyson Foods, a leading beef and poultry meat processing company. The feedlot began to operate in September 1999. On June 30, 2009, Cactus Feeders Inc. sold its equity interest in Cactus.

Las Vertientes. The Las Vertientes storage facility has a surface area of 4 hectares and 10,000 tons capacity, and is located in Las Vertientes, Río Cuarto, in the Province of Córdoba.

La Esperanza. On April 22 and 23, 2008, we signed deeds for the purchase of 80% of the 980 hectares of La Esperanza farm located in the Province of La Pampa. The transaction was agreed for a price of US$ 1.3 million that has been paid in full. During the year ended June 30, 2009, we used this farm solely for crop production.

Puertas de Luján. On May 30, 2008, IRSA signed, as nominee, a bill of purchase with delivery of possession for 115 hectares of a parcel of a farm located in the District of Luján, Province of Buenos Aires. On December 13, 2008, the Company was formally recognized as principal of the transaction.

Las Londras. On January 22, 2009, the bill of purchase for Las Londras farm was cast into public deed; it has a surface area of 4,566 hectares, and is located in the Province of Guarayos, Republic of Bolivia. During the 2008/2009 farm season it was used for crop production.

San Cayetano. On November 19, 2008, the bill of purchase for San Cayetano farm was cast into public deed. This farm is located in the Province of Guarayos, Republic of Bolivia, and has a surface area of 883 hectares, which were used for crop production during the 2008/2009 farm season.

San Rafael. On November 19, 2008, the bill of purchase for San Rafael farm was cast into public deed. This farm is located in the Province of Guarayos, Republic of Bolivia, and has a surface area of 2,969 hectares, which were used for crop production during the 2008/2009 farm season.

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La Fon Fon. On November 19, 2008, the bill of purchase for La Fon Fon farm was cast into public deed; it has a surface area of 3,748 hectares, and is located in the Province of Obispo Santiesteban, Republic of Bolivia. During the 2008/2009 farm season it was used for crop production.

Jerovia. Agrology owns 50% of Jerovia farm, located in Mariscal José Félix Estigarribia, District of Boquerón, Chaco Paraguayo, Republic of Paraguay, with a surface area of 41,931 hectares.

Lease of Farms

We conduct our business on owned and leased land. Rental payments increase our production costs, as the amounts paid as rent are accounted for as operating expenses. As a result, production costs per hectare of leased land are higher than for the land owned by us.

Our land leasing policy is designed to supplement our expansion strategy, using our liquidity to make productive investments in our principal agricultural activities. On the other hand, our leasing strategy provides us with an added level of flexibility in the share of each of our products in total production, providing for greater diversification. The initial duration of lease agreements is typically one campaign. Leases of farms for production of grains consist in lease agreements with payments based on a fixed amount of Pesos per hectare or crop sharing agreements (aparcería) with payments in kind based on a percentage of the crops obtained or a fixed amount of tons of grains obtained or their equivalent value in Pesos. Leases of farmlands for cattle breeding consist in lease agreements with fixed payments based on a fixed amount of Pesos per hectare or steer kilograms or capitalization agreements with payments in kind or in cash based on the weight gain in kilograms.

During fiscal year 2009, we leased from third parties a total of 74 fields, covering 92,410 hectares, of which 59,615 hectares were assigned to crop production, including double crops, and 32,795 hectares to cattle. The properties for crop production were leased, primarily, at a fixed price prior to harvest and only a small percentage consisted of crop sharing agreements.

The following table shows the breakdown of the amount of hectares of owned and leased land used for each of our principal production activities:

	Year ended June 30,					
	2007(1)(2)(3)		2008(1)(2)(3)		2009(1)(2)(3)	
	Owned	**Leased**	**Owned**	**Leased**	**Owned**	**Leased**
Crops	22,712	25,307	25,379	30,449	43,193	59,615
Cattle	84,848	29,208	90,999	32,895	96,064	32,795
Milk	2,376		4,092		4,106	

(1) Does not include the hectares of Agro Uranga S.A.
(2) Does not include the hectares of Agropecuaria Anta.
(3) The land assigned to crops may differ from sown land, as some hectares are sown twice and therefore are counted twice as sown land.

Due to the rise in the price of land, we adopted a policy of not validating such prices and only leasing land at values that would ensure appropriate margins.

Storage Facilities

As of June 30, 2009, we had an approximate storage capacity of 15,341 tons (including 35.72% of the 14,950 tons available at Agro Uranga S.A.).

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The following table sets forth, as of the dates below, the capacity of our storage facilities:

	Storage Capacity At June 30,		
	2007 (in tons)	2008 (in tons)	2009 (in tons)
Las Vertientes	10,000	10,000	10,000
San Nicolás[1]	5,341	5,341	5,341
Total	15,341	15,341	15,341

(1) Owned through Agro-Uranga S.A. (representing 35.723% of the capacity).

Land Management

In contrast to traditional Argentine farms, run by families, we centralize policy making in an Executive Committee that meets on a weekly basis in Buenos Aires. Individual farm management is delegated to farm managers who are responsible for farm operations. The Executive Committee lays down commercial and production rules based on sales, market expectations and risk allocation.

We rotate the use of our pasture lands between crop production and cattle feeding and the frequency depends on the location and characteristics of the farmland. The use of preservation techniques (including exploitation by no till sowing) frequently allows us to improve farm performance.

Subsequent to the acquisition of the properties, we make investments in technology in order to improve productivity and increase the value of the property. It may be the case that upon acquisition, a given extension of the property is under-utilized or the infrastructure may be in need of improvement. We have invested in traditional fencing and in electrical fencing, watering troughs for cattle herds, irrigation equipment and machinery, among other things.

Principal Markets

Crops

Our grains production is entirely sold in the local market. The prices of our grains are based on the market prices quoted in Argentine grains exchanges such as the *Bolsa de Cereales de Buenos Aires* and the *Bolsa de Cereales de Rosario* that take as reference the prices in international grains exchanges. The largest part of this production is sold to exporters who offer and ship this production to the international market. Prices are quoted in relation to the month of delivery and the port in which the product is to be delivered. Different conditions in price, such as terms of storage and shipment, are negotiated between the end buyer and ourselves.

Beef Cattle

Our beef cattle production is sold in the local market. The main buyers are slaughterhouses and supermarkets.

Prices in the beef cattle market in Argentina are basically fixed by local supply and demand. The Liniers Market (on the outskirts of the Province of Buenos Aires) provides a standard in price formation for the rest of the domestic market. In this market live animals are sold by auction on a daily basis. At Liniers Market, prices are negotiated by kilogram of live weight and are mainly determined by local supply and demand. Prices tend to be lower than in industrialized countries. Some supermarkets and meat packers establish their prices by kilogram of processed meat; in these cases, the final price is influenced by processing yields.

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Milk

During the fiscal years 2008 and 2009 we sold our entire milk production to the largest Argentine dairy company, Mastellone S.A., which in turn manufactures a range of mass consumption dairy products sold in Argentina and abroad. The price of the milk we sell is mainly based on the percentage of fat and protein that it contains and the temperature at which it is cooled. The price we obtain from our milk also rises or drops based on the content of bacteria and somatic cells.

Customers

For the fiscal year 2009 our sales were Ps.189.9 million and were made to approximately 134 customers. Sales to our ten largest customers represented approximately 61% of our net sales during the fiscal year 2008 and approximately 74% for the fiscal year ended June 30, 2009. Of these customers, our biggest three customers, Cargill S.A., Mastellone Hnos. S.A. and Bunge Argentina S.A., represented, in the aggregate, approximately 46% of our net sales, while the remaining seven customers in the aggregate represented approximately 28% of our net sales in fiscal year 2009. We have signed non-binding letters of intent with some of our largest customers that allow us to estimate the volume of the demand for certain products and to plan production accordingly. We generally enter into short-term agreements with a term of less than a year.

Marketing Channels and Sales Methods

Crops

We normally work with grains brokers and other intermediaries to trade in the exchanges. We sell part of our production in advance through futures contracts and buy and sell options for protection against a drop in prices. Approximately 70% of the futures and options contracts are closed through the *Bolsa de Cereales de Buenos Aires* (Buenos Aires Grains Exchange) and 30% in the Chicago Board of Trade.

Our storage capabilities allow us to condition and store grains with no third-party involvement and thus to capitalize the fluctuations in the price of commodities. Our largest storage facilities, with capacity for 10,000 tons, are located in Las Vertientes , close to Río Cuarto, Province of Córdoba. In addition, we store grains in silo bags.

Beef Cattle

We sell directly to local meat processors and supermarkets, such as Arre Beef S.A., Quickfood S.A., Finexcor S.A., Frigorífico La Pellegrinense S.A., Friar S.A., Madelan S.A., Exportaciones Agroindustriales S.A., Jumbo Retail Argentina S.A., Frigorífico Bermejo S.A. and Frigorífico Amancay S.A., at prices based on the price at Liniers Market.

We usually are responsible for the costs of the freight to the market and, in general, we do not pay commissions on our transactions.

Raw Materials

The current direct cost of our production of grains varies in relation to each crop and normally includes the following costs: tillage, seeds, agrochemicals and fertilizers. We buy in bulk and store seeds, agrochemicals and fertilizers to benefit from discounts offered during off-campaign sales.

Competition

The agricultural and livestock sector is highly competitive with a huge number of producers. Cresud is one of Argentina s leading producers. However, if we compare the percentage of Cresud s production to the country s total figures, Cresud s production would appear as extremely low. Our leading position improves our bargaining power with suppliers and customers. In general, we obtain discounts in the region in the acquisition of raw materials and an excess price in our sales.

Historically, there have been few companies competing for the acquisition and leases of farmlands for the purpose of benefiting from land appreciation and optimization of yields in the different commercial activities.

However, we anticipate the possibility that new companies, some of them international, may become active players in the acquisition of farmlands and the leases of sown land, which would add players to the market in coming years.

Seasonality

As is the case with any company in the agro-industrial sector, our business activities are inherently seasonal. Harvest and sales of grains (corn, soybean and sunflower) in general take place from February to June. Wheat is harvested from December to January. With respect to our international market, in Bolivia climate conditions allow a double season of soybean, corn and sorghum production and, accordingly, these crops are harvested in April and October, while wheat and sunflower are harvested during August and September, respectively. Other segments of our activities, such as our sales of cattle and milk and our forestry activities tend to be more of a successive character than of a seasonal character. However, the production of beef and milk is generally higher during the second quarter, when pasture conditions are more favorable. In consequence, there may be significant variations in results from one quarter to the other.

Our Investments

Agricultural Business

BrasilAgro Companhia Brasileira de Propriedades Agrícolas

BrasilAgro was created in September 2005 in order to replicate our business in Brazil. BrasilAgro is engaged mainly in four business segments: (i) sugar cane, (ii) grains and cotton, (iii) forestry activities, (iv) livestock.

We created BrasilAgro together with our partners, Cape Town Llc, Tarpon Investimentos S.A., Tarpon Agro Llc, Agro Investments S.A. and Agro Managers S.A.

Cape Town Llc is a limited company incorporated under the laws of the State of Delaware, wholly owned by Mr. Elie Horn, the controlling shareholder and chief executive officer of Cyrela Brazil Realty, S.A. Empreendimentos e Participações. Tarpon Investimentos S.A. is an independent Brazilian asset manager engaged in the management of mutual funds focusing primarily on Brazilian equities. Tarpon Agro Llc is a company incorporated in the United States of America under the laws of the State of Delaware, and is owned by Tarpon Investimentos S.A. s shareholders and certain of its affiliates.

Part of the knowledge and experience required to implement BrasilAgro s proposed business plan will be initially provided pursuant to a consulting agreement with Paraná Consultora do Investimentos S.A., a special purpose advisory company, 50% owned by Tarpon BR, 37.5% owned by Consultores Assets Management, a company controlled by Mr. Eduardo Elsztain, and 12.5% owned by Mr. Alejandro Elsztain. Tarpon BR is a joint venture between Tarpon and Mr. Elie Horn.

We entered into a shareholder agreement with Tarpon Investimentos S.A. and Tarpon Agro Llc stipulating, among other things, that both parties will have a joint vote at shareholders meetings and that both parties will have a preemptive right to acquire shares of the other party.

BrasilAgro s board of directors is composed of nine members. We, as founder of BrasilAgro, appointed three members. Tarpon and Cape Town appointed three more members and, in addition, BrasilAgro has three independent directors.

On May 2, 2006, BrasilAgro s shares were listed in the Novo Mercado of the Brazilian Stock Exchange (BOVESPA) with the symbol AGRO3. BrasilAgro s shares were placed jointly with Banco de Investimentos Credit Suisse (Brazil) S.A. in the Brazilian market through investment mechanisms regulated by controlling authorities and with sales efforts pursuant to an exception from registration under the US Securities Act of 1933.

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The amount originally offered was Reais 532 million, equivalent to 532,000 book-entry common shares at a price of Reais 1,000 per share of BrasilAgro.

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

In addition to the funds we originally contributed, we purchased shares in the offering for Reais 42.4 million (approximately US$ 20.6 million). Following such contribution we held a total amount of 42,705 shares, equivalent to 7.4% of BrasilAgro s capital stock.

On October 31, 2007, BrasilAgro carried out a 1-for-100 share split approved at the Special Shareholders Meeting held on March 15, 2007 and ratified at the Annual Shareholders Meeting held on October 29, 2007. Following this split, BrasilAgro s capital stock was composed of 58,422,400 common shares.

During fiscal years 2008 and 2009, the Company acquired, respectively, 4,136,800 and 2,776,000 shares of BrasilAgro. Due to this acquisition, we owned a 19.14% interest as of June 30, 2009.

When we founded BrasilAgro, we contributed Ps.63.1 million in cash in exchange for shares and 10,490,200 warrants to purchase additional BrasilAgro shares for 15 years and at the same price as was established in the initial public offering, Reais 10, adjusted by the Consumer Price Index Amplified, or IPCA. Should we decide to exercise such warrants, we might acquire, following the share split, 5,984,987 additional shares, thereby holding 23.5% of BrasilAgro s diluted capital stock. All of these warrants may already be exercised.

In addition, we received, at no cost, a second series of warrants for a total of 10,490,200, which may only be exercised at our discretion in the event of a tender offer. The exercise price of these warrants shall be the same price as the price offered in any such tender offer by the acquirer of BrasilAgro. The second series of warrants matures in the year 2021.

As of June 30, 2009, BrasilAgro had 8 properties, with an aggregate surface area of 166,343 hectares, acquired at highly attractive prices as compared to the average in the respective regions, all of which offering high appreciation potential.

Property	**Province**	**Date of acquisition**	**Surface area (in hectares)**	**Main activity (Project)**		**Value R$ /Ha. (thousands of R$)**
Sao Pedro	Chapado do Céu (GO)	Sep-06	2,443	Sugar cane	R$	4.1
Cremaq	Baixa Grande do Ribeiro (PI)	Oct-06	32,375	Grains	R$	1.3
Jatobá [1]	Jaborandi (BA)	Mar-07	31,602	Grains and cotton	R$	1.1
Alto Taquari	Alto Taquari (MT)	Aug-07/Under analysis [2]	5,266	Sugar cane	R$	6.5
Araucária [3]	Mineiros (GO)	Apr-07	15,543	Sugar cane	R$	5.8
Chaparral	Correntina (BA)	Nov-07	37,129	Livestock/Grains	R$	1.2
Nova Buriti	Januária (MG)	Dec-07	24,185	Forestry	R$	0.9
Preferencia	Barreiras (BA)	Sep-08/Under analysis[2]	17,800	Livestock/Grains	R$	0.6
Total			166,343			
Total owned by BrasilAgro [1][3]			159,297			

(1) The Jatobá farm is owned by Jaborandi S.A., in which BrasilAgro holds a 90% interest.

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(2) Subject to the sellers agreement in respect of certain conditions precedent.

(3) Corresponds to the entire surface area of the Araucária farm, which was acquired by BrasilAgro and Brenco. All rights and obligations acquired upon the purchase of the farm are divided between BrasilAgro and Brenco in 75% and 25%, respectively.

Sao Pedro is a farm in Chapadao do Sul (MS). With a surface area of 2,443 hectares, Sao Pedro was bought for R$ 9.9 million. Its potential production area is 1,700 hectares. In this farm, BrasilAgro has harvested soybean and corn crops in a surface area of 1,106 and 402 hectares, respectively. The company has sown 785 hectares with corn and 225 hectares with sorghum for the winter harvest, which will commence approximately in July. There are also 30 hectares previously sown with sugar cane. In our opinion, this land offers high potential for appreciation as a result of the sugar cane premises scheduled to be installed in the region.

Cremaq is a farm in Baixa Grande do Ribeiro (Piaui). Acquired for R$ 42.2 million and with a surface area of 32,375 hectares, it is estimated that the total production area will be 23,000 hectares. At present, there are approximately 1,500 hectares leased to third parties. BrasilAgro has harvested 7,075, 1,441 and 1,000 hectares of soybean, corn and rice crops in this property. The company has sown 1,233 hectares with sorghum for the winter harvest. The company began construction of a warehouse on the Cremaq Farm with capacity to store 72,000 tonnes of grains. The farm is close to the Itaqui Port and to the Norte-Sul railway. Weather and topographic conditions in the area are quite suited to soybean, corn and cotton crops. This property has also been bought for a value lower than average in the region and it offers major appreciation potential.

Jatobá is a farm in the Jaborandi district, in the State of Bahía. The acquisition price was R$ 35.4 million and it has 31,602 hectares. It is estimated that the total production area will be 24,600 hectares. Jaborandi Operadora Limitada has harvested soybean crops in an area of 4,000 hectares and leased 1,151 hectares,.

Alto Taquarí is a farm with a total area of 5,266 hectares and it is located in the municipality of Alto Taquarí, Mato Grosso. This property was purchased for R$ 34 million, payable in two installments. The first installment of R$ 6.8 million was paid on August 3, 2007, and a portion of the second installment of R$ 12.3 million was paid in April 2008. In September 2008, R$ 2.6 million were paid for the second installment. The payment of the balance due is subject to the fulfillment of certain conditions by the seller. This property has an estimated production area of 3,720 hectares, and soybean crops have been harvested in an area of 1,252 hectares while 666 hectares have been sown with corn for the winter harvest. In respect of the expansion of the surface area devoted to sugar cane, 2,672 hectares were sown with sugar cane.

On April 20, 2007, BrasilAgro acquired 75% of the *Araucaria* farm, which has a total area of 15,543 hectares, 11,657 of which are owned by BrasilAgro, and is located in the municipality of Mineiros, Goiás. The production area is estimated at 8,435 hectares and BrasilAgro has harvested soybean crops in an area of 3,030 hectares while 1,428 and 270 hectares have been sown with corn and sorghum for the winter harvest and in addition, 3,720 hectares with sugar cane had been planted earlier, according to the expansion strategy in respect of the surface area devoted to this crop.

Chaparral is a farm located in Correntina, Bahía. This farm has a surface area of 37,129 hectares and was purchased for R$ 47.1 million. Its potential production area is 28,000 hectares. BrasilAgro has harvested 3,169 hectares of soybean.

Nova Buriti is an estancia with a total surface area of 24,185 hectares and it is located in the municipality of Januaria, Minas Gerais. With a production area estimated at 19,935 hectares, it will be used for forestry activities.

In September 2008, BrasilAgro purchased 17,800 hectares from the *Preferencia* farm, located in the municipality of Barreiras, Bahía. The transaction was agreed for a price of R$ 600.0 per hectare. This property has good conditions for cattle breeding and crops growing.

During fiscal year 2009, BrasilAgro expanded its sown area (summer and winter campaign and sugar cane) by 52% compared to the previous period. BrasilAgro used a total surface area of 33,504 hectares for sowing, from which 17,918 hectares represented new areas.

BrasilAgro plans to increase the planted area in the harvest year 2009/2010 by 44% and will cultivate an area of about 48,242 hectares, which will be divided among grains, sugarcane, forestry and leasing to third parties.

During the period ended June 30, 2009, BrasilAgro s revenues from the sale of crops were R$ 36.0 million, 80% higher than those of the same period of the previous year. It recorded a net profit of R$ 0.9 million compared to a profit of R$ 5.5 million during the same period of the previous year, in which it recorded the gain from the sale of a property for R$ 21.8.

At the end of fiscal year 2009, BrasilAgro presented consolidated assets for R$ 679.0 million, of which R$ 279.0 million were included in the Cash and banks, and Short-term investments accounts.

BrasilAgro will continue to focus its activities on agricultural real estate and on the development of its four main business lines: sugar cane; crops and cotton; forestry and cattle breeding.

Futuros y Opciones.Com S.A.

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

The areas with the greatest potential for growth are: input commercialization, grain brokerage and beef cattle operations. Regarding input commercialization, the business volume was concentrated in a small number of suppliers, the agreements with the suppliers were improved in order to increase the margin of the business, and contracts of direct distribution were achieved. In terms of grains, the brokerage department was created, with the purpose of participating directly in the business by trading and offering services. In beef cattle, Futuros y Opciones.Com has created an alliance with a leading broker in the sector, which will allow it to obtain use of its clients database and technological knowledge.

On May 31, 2005, the Ordinary Shareholders Meeting of Futuros y Opciones.Com decided that its capital stock should be increased by Ps.0.2 million with no additional paid-in capital and Ps.0.04 million with an additional paid-in premium of Ps.0.9 million, thus raising Futuros y Opciones.Com s capital stock from Ps.0.01 million to Ps.0.3 million. The capital stock was further increased by Ps.0.1 million through the issue of 100,000 preferred shares.

This capitalization was conducted after absorbing unappropriated losses of Ps.4.3 million against the Irrevocable Contributions account for a total amount of Ps.2.1 million and the Adjustment to Irrevocable Contributions account for an amount of Ps.2.2 million. The corporate bylaws have thus been amended to incorporate the resolution adopted by the Shareholders Meeting, which delegated its implementation on the board of directors.

As a result of such capital increase, our investment has increased by Ps.0.6 million. This effect has been recognized in the additional paid-in capital account, pursuant to section 33 of the Argentine Corporation Law No. 19,550 under the Shareholders Equity section.

During fiscal year 2007, Futuros y Opciones.Com started to trade futures and options, it acquired a share in the Buenos Aires futures and options exchange market (*Mercado a Término de Buenos Aires*) and has also become a dealer. During fiscal year 2008, Futuros y Opciones.Com continued trading futures and options with a 7.67% growth as compared to the previous year. The service consisting in hedging with futures has consolidated into an essential tool for our customers to manage their price risks.

The portal keeps consolidating as the leading site for the agricultural and beef cattle sector and various private polls have agreed that it is the most visited site by farmers engaged in both agricultural and beef cattle activities. The portal presently has an average of 800,000 sites accessed per month, with 3,000 single visits per day, and a base of almost 50,000 registered users. It has positioned itself as a point of reference for agriculture and livestock commercialization.

Futuros y Opciones.Com s goal is to become a leading company in the supply of financial and commercial services. To attain such objective, we will continue to enhance the range of products we offer to the sector in the coming fiscal years.

At June 30, 2009, the Company held a 66.20% interest in Futuros y Opciones.Com.

As of June 30, 2009, Futuros y Opciones.Com total revenues increased by 23.8% compared to the previous fiscal year, with 40.4% growth in the revenues yielded by its main business, the grains brokerage. In addition, the business consisting in sales of inputs grew by 16.5%, while revenues from commissions and technology services increased by 5.5% and 42.6%, respectively.

Cactus Argentina S.A.

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

During fiscal year 2007, Cactus entered into a joint venture with Tyson Foods, Inc, a leading meat processing company, pursuant to which Tyson, through Provemex Holdings LLC, acquired a 52% equity interest in Cactus to establish the first integrated cattle operation in Argentina. Consequently, the stock holdings of Cactus Feeders, Inc. and Cresud in Cactus were reduced to 24% each. Since December 31, 2006, we no longer use the proportional consolidation method to account for our investment in Cactus due to the reduction of our equity interest in Cactus from 50% to 24%.

On January 11, 2007, Cactus and us (solely as nominee for Argentine legal purposes) acquired 100% of the EAASA shares for Ps.16.8 million. EAASA owns a meat packing plant in Santa Rosa, Province of La Pampa, with capacity to slaughter and process approximately 9,500 cattle heads per month. The idea of Cactus is to expand in the future the slaughter capacity to 15,000 heads per month.

Argentina s beef production is going through a change in which the best quality beef is produced in the central part of the country while the marginal areas are generating beef produced by animals adjusted to more difficult geographic and environmental situations. We believe that the location of the packing plant is unique, surrounded by an important beef production area and close to the feedlot that Cactus owns in Villa Mercedes, San Luis. Cattle beef produced at Cactus feedlot is being processed at EAASA s packing plant for the domestic and the foreign markets.

Cactus has been a pioneer in feedlot services in Argentina, with a 25,000 heads of cattle capacity, depending on the size of the cattle. Cactus customer base changed during recent years, as many companies related to the beef sector bought calves to be fed at the feedlot. To assure themselves a constant supply of high quality beef, these companies keep an inventory of cattle on feed.

Cactus continues to receive cattle from farmers that repeat their productive process whereby they breed and re-breed their animals in their own farms and slaughter them at EEASA.

On October 12, 2007, the administrative authority of Villa Mercedes, Province of San Luis, where Cactus feedlot is located, ordered its partial closure due to the emission of odors related to the animals. It also ordered Cactus to file a mitigation plan with respect to the odors. On December 5, 2007, the administrative authority permitted the feedlot to resume operations and authorized it to accommodate up to 18,500 heads of cattle.

The feedlot cattle beef production is processed in the EAASA packing plant for the domestic and foreign markets. Feedlot fattening with a corn-based diet has been growing at a very dynamic pace. The company has gained market reputation thanks to the uniform final product offered by feedlot-finished animals, which provides purchasers with high-quality products and higher yields, succeeding in offering differential sales prices.

On June 30, 2009, Cresud entered into a shareholders agreement with Cactus Feeders for the purchase of its 24% interest in Cactus Argentina S.A. and 0.24% interest in EAASA. The agreed purchase price was US$ 2.4 million. At the same time, the Company and Tyson Foods S.A. made contributions to Cactus Argentina S.A. in the amount of US$ 2.4 million and US$ 2.6 million, respectively. As a consequence of the transaction, Cresud increased its interest in Cactus to 48%. The companies have strengthened as a result of the above mentioned capitalizations, which will help develop Cresud s strategic business plan in the cattle beef processing industry.

During fiscal year 2009, Cactus recorded income as a result of the services supplied to farmers and investors and the profits generated by its own fattened cattle.

Agropecuaria Anta S.A. (formerly named Agropecuaria Cervera S.A.)

On March 6, 2009, the change of corporate name from Agropecuaria Cervera S.A. to Agropecuaria Anta S.A. was registered with the Court of Mining and in Registration Commercial Matters on page, 78, under number 3,944 of Book Lº15 of Corporations.

On December 27, 2005, we and IGSA (solely as nominee for Argentine legal purposes) acquired 100% of the shares of Agropecuaria Anta S.A. (Agropecuaria Anta), whose main asset is the concession for the start-up of production pertaining to a comprehensive biological, economic and social development project over various properties located in Anta, Province of Salta, and which is duly authorized to implement a large-scale project covering agricultural, cattle breeding and forestry activities. The concession agreement covers 162,000 hectares for a 35-year period with an option to extend it for an additional 29-year period. In the framework of the concession, there is a development project aimed at applying 35,000 hectares to agricultural use, and 55,000 hectares to livestock activities, which has been approved by the Secretary of Environment and Sustainable Development of the Province of Salta. We surrendered 3.6 million convertible notes of IRSA and paid Ps.3.17 million in cash for the acquisition of the concession. During fiscal year 2008, Agropecuaria Anta S.A. commenced its land development activities, and as of June 30, 2009, it had 8,067 hectares devoted to its own production and 5,132 hectares leased to third parties.

On July 2, 2008, a memorandum of understanding was executed to renegotiate the concession agreements for the northern and southern areas of the real estate property of Salta Forestal S.A. The agreements establish that the concessionaire should pay as a concession fee the amount in US Dollars equivalent to a quintal of soybean per harvested hectare of any crop in the northern and southern areas per year. The concession fee is required to be paid on July 1 of each year starting in 2009. For the purposes of determining the concession fee, 2,000 hectares in the southern area rented out to Compañía Argentina de Granos are excluded.

Additionally, Agropecuaria Anta S.A committed to return the 30,000 hectares originally considered as not usable for agricultural purposes under the concession. On August 29, 2008, the Memorandum of Understanding was approved by Decree No. 3,766 of the Executive Power of the Province of Salta.

Agrology

Agrology was incorporated on May 8, 2008, with Cresud holding a 97% stake and IGSA holding the remaining 3% stake. The capital stock of Ps.50,000 was fully subscribed and paid in. On May 28, 2008, Agrology acquired the interest held by IGSA in IRSA, 2,187,479 GDRs, at a price of Ps.96.0 million. In consideration thereof, Agrology substituted IGSA as borrower of the debt that the latter owed to Cresud for such amount, in accordance with the line of credit agreement entered into between them. As a result of this sale, the loan agreement which granted 790,631 GDRs of IRSA entered into with Inversiones Financieras del Sur S.A. was also assigned. On August 6, 2008, Agrology entered into a securities loan agreement with IFISA granting 1,275,022 GDRs of IRSA under the same conditions as the previous agreement. These loans will accrue interest at a monthly rate equivalent to 3-month LIBOR, plus 150 basis points. They will be effective for 30 days and may be renewed for periods, up to a maximum of 360 days. As of the closing date of this annual report, Inversiones Financieras del Sur S.A. returned 811,711 GDR s to Agrology, represented by Global Depositary Receipts representative of shares of common stock of Ps.1 per share.

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On April 8, 2009, the Company executed a new securities loan agreement with Inversiones Financieras del Sur S.A., by which it granted 12,000,000 IRSA s shares of common stock. Except for interest, this agreement was executed under the same conditions as the previous agreements. This loan will accrue interest from the execution date and through the maturity date at an interest rate of 6% p.a. on the loan principal. It will be effective for 40 days and may be renewed for equal periods, up to a maximum of 360 days. At the closing of this annual report, Inversiones Financieras del Sur S.A. returned the Company 12,000,000 shares of common stock of IRSA.

Agrology s purpose is to invest in financial instruments and manage equity interests in other companies.

Expansion in Paraguay

In the context of operations that represent a new expansion of Cresud s agriculture and cattle raising business in South America, on September 3, 2008, the Company entered into with Carlos Casado S.A., an Argentine company that owns large portions of land in the south of the Republic of Paraguay, a master agreement pursuant to which they have agreed to create a synergy between the two companies to carry out real estate and agricultural, livestock and forestry activities as well as several related agreements, aiming at consummating the production alliance between both issuers.

Under these agreements, each of Cresud and Carlos Casado S.A. hold a 50% interest in a company organized under the laws of the Republic of Paraguay, pursuant to which Cresud acts as advisor, under an advisory agreement, for the agricultural, livestock and forestry development of a significant rural property located in Paraguay, and of a potential area of up to 100,000 hectares also located in Paraguay derived from an option exercised by the new company which was conferred by Carlos Casado S.A.

Consequently, Cresud shall give advice in respect of such business either directly and/or through other controlled and/or subsidiary companies in accordance with the customary business standards and its expertise in such business.

The term of effectiveness of the advisory agreement shall be 10 years computed as from the date of execution of the master agreement and shall be automatically renewed for 2 additional 10-year periods computed as from expiration of the original period, with it being, in turn, renewable after expiration of the additional period.

In addition, Cresud executed a bill of purchase for a 50% interest in 41,931 hectares located in Mariscal José Felix Estigarribia, District of Boquerón, Chaco Paraguayo, Republic of Paraguay, owned by Carlos Casado S.A., for a price of US$ 5.2 million, in order to contribute them to the new company recently organized (Cresca S.A.). The contribution was made on January 26, 2009, and the title deed to the property was executed on February 3, 2009. Therefore, jointly with the contribution made by Carlos Casado S.A., the total value of the contributions made in Cresca S.A. is US$ 10.5 million. In addition, as indicated in the previous paragraph, Cresca has an option granted by Carlos Casado S.A. for the purchase of 100,000 additional hectares located in Paraguay.

In relation to the development of marginal areas, during fiscal year 2009 we started to develop our farms located in the Republic of Paraguay, with approximately 2,700 hectares developed from the 3,000 hectares allowed during the first stage. For the next fiscal year, it is expected that sorghum, soybean, corn and beans will start to be sown, and we plan to continue to develop new hectares for crop production and intensive cattle breeding in the farms located in Paraguay.

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

In the context of operations that represent a new expansion of Cresud s agriculture and cattle raising business in South America, as designed in its business plan, Cresud, through its controlled companies, Agrology S.A., IGSA and Agropecuaria Anta S.A. (formerly Agropecuaria Cervera S.A.) has organized companies holding lands in the Republic of Bolivia and has acquired a company in the Oriental Republic of Uruguay.

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In connection with the foregoing, the following companies were organized:

Agropecuaria Acres del Sud S.A., Aguaribay Agropecuaria S.A., Calden Agropecuaria S.A., Itin Agropecuaria S.A., Ñandubay Agopecuaria S.A., Ombú Agropecuaria S.A., Yatay Agropecuaria S.A. and Yuchan Agropecuaria SA., which shareholders are the following: Agrology S.A., holding 95.12% of the stock, IGSA and Agropecuaria Anta S.A. holding each 2.44% of the stock. Such Bolivian Companies (except for Agropecuaria Acres del Sud S.A.) acquired plots of land for agricultural development. In this way, Cresud holds 99.99% of the stake of those companies which are engaged in the agricultural business.

In addition, during October 2008 the company acquired, through its controlled company Agrology S.A., 100% of the stake of a company known as Helmir S.A., established in the Oriental Republic of Uruguay which has a broad corporate purpose.

In line with its international expansion strategy, Cresud has entered into a number of agreements to formalize its position in various South American countries. In July 2008, the Company, acting through various companies, executed several bills of purchase for an aggregate of 12,166 hectares in the Republic of Bolivia for a total price of US$ 28.9 million.

In connection with these lands, on November 20, 2008, two purchase instruments including delivery of possession were executed, as part of the process of casting into public deed and filing of deeds with the relevant registries, involving the purchase of 883, 2,969 and 3,748 hectares in San Cayetano , San Rafael and La Fon Fon farms, respectively, located in Santa Cruz, Bolivia. Of the agreed price of US$ 17.5 million, US$ 7.5 million was paid in cash. On November 9, 2009, the first aggregate installment of US$ 6.2 million was made for the farm purchases in the Republic of Bolivia. The outstanding balance will be paid in one annual installment due on November, 2010.

As concerns the remaining hectares, on January 22, 2009, we executed a deed of purchase for 4,566 hectares in Las Londras farm, located in the Province of Guarayos, Bolivia. The transaction was agreed for a price of US$ 11.4 million, of which US$ 1.1 million were paid on the date of execution of the bill of purchase, and US$ 3.8 million were paid on January 22, 2009, the date on which the bill of purchase was cast into public deed. On November 9, 2009, the first installment of US$ 4.0 million was made for the farm purchase in the Republic of Bolivia. The outstanding balance will be paid in one annual installment due on November, 2010.

During fiscal year 2009, corn and soybean were sown in approximately 10,000 hectares of the farms located in Bolivia. Those farms allow double harvesting of soybean, which means that better results can be obtained per hectare during a single season. In addition, soybean, corn, wheat, sunflower and sorghum have started to be sown in approximately 11,200 hectares for the winter harvest. The wheat harvest will commence by the first quarter of fiscal year 2010.

Real Estate Business

Please see Real Estate Business , below on this item, for a more detail discussion.

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Regulation and Government Supervision of our Agricultural Business

Farming and Animal Husbandry Agreements

Agreements relating to farming and animal husbandry activities are regulated by Argentine law, the Argentine Civil Code and local customs.

According to the Law No. 13,246, as amended, all lease agreements related to rural properties and land are required to have a minimum duration of 3 years. Upon death of the tenant farmer, the agreement may continue with his successors. Upon misuse of the land by the tenant farmer or default on payment of the rent, the land owner may initiate an eviction proceeding.

Law No. 13,246, as amended, also regulates agreements for crop sharing pursuant to which one of the parties furnishes the other with farm animals or land with the purpose to share benefits between tenant farmer and land owner. These agreements are required to have a minimum term of duration of 3 years. The tenant farmer must perform himself the obligations under the agreement and may not, assign it under any circumstances. Upon the death, incapacity or impossibility of the tenant farmer, the agreement will be terminated.

Quality control of Grains and Cattle

The quality of the grains and the health measures of the cattle are regulated and controlled by the *Servicio Nacional de Sanidad y Calidad Agroalimentaria*, which is an entity within the Ministry of Economy and Production that oversees the farming and animal sanitary activities.

Argentine law establishes that the brands should be registered with each provincial registry and that there cannot be brands alike within the same province.

Sale and Transportation of Cattle

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

Argentine law establishes that the transportation of cattle is lawful only when it is done with the respective certificate that specifies the relevant information about the cattle. The required information for the certificate is established by the different provincial regulations, the inter-provinces treaties and the regulations issued by the *Servicio Nacional de Sanidad y Calidad Agroalimentaria*.

Export Restriction of Beef

The Argentine Agriculture department (*Secretaria de Agricultura Ganadería, Pesca y Alimentos*), an entity within the Ministry of Economy and Production, oversees the farming and animal sanitary activities.

In addition the Secretaria de Agricultura Ganadería, Pesca y Alimentos is in charge of the distribution in Argentina of the annual regular quota of top quality chilled beef without bones, the Cuota Hilton. The destination of the Cuota Hilton is the European Union.

In June 2009, the Secretaria de Agricultura Ganadería Pesca y Alimentos granted to our subsidiary EAASA to export up to 492 tons of beef under the authorized export quotas to Europe, known as *Cuota Hilton.*

Environment

The development of our agribusiness depends on a number of federal, state and municipal laws and regulations related to environmental protection.

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We may be subject to criminal and administrative penalties, including taking action to reverse the adverse impact of our activities on the environment and to reimburse third parties for damages resulting from contraventions of environmental laws and regulations. Based on the Argentine Criminal Code, persons (including directors, officers and legal entity managers) who commit crimes against public health, such as poisoning or dangerously altering water, food or medicine used for public consumption and selling products that are dangerous to health, without the necessary warnings, may be subject to fines, imprisonment or both. Some courts have utilized these provisions in the Argentine Criminal Code to sanction the discharge of substances which are hazardous to human health. At the administrative level, the penalties vary from notices and fines to the full or partial suspension of the activities, which may include the revocation or annulment of tax benefits, cancellation or interruption of credit lines granted by state banks and a restriction on entering into contracts with public entities.

The Forestry Legislation of Argentina prohibits the devastation of forest and forest land, as well as the irrational use of forest products. Landowners, tenants and holders of natural forests require an authorization from the Forestry Competent Authority for the cultivation of forest land. The legislation also promotes the formation and conservation of natural forests in properties used for agriculture and farming purposes.

As of June 30, 2009, we owned land reserves in excess of 356,796 hectares, which are located in under-utilized areas where agricultural production is not yet fully developed. We believe that technological tools are available to improve the productivity of such land and enhance its long-term value. However, existing or future environmental regulations may prevent us from completely developing our land reserves, requiring us to maintain a portion of such land as unproductive land reserves.

In accordance with legislative requirements, we have applied for approval to develop certain parts of our land reserves, to the extent allowed. We cannot assure you that current or future development applications will be approved, and if so, to what extent we will be allowed to develop our land reserves. We intend to use genetically modified organisms in our agricultural activities. In Argentina, the cultivation of genetically modified organisms is subject to special laws and regulations and specific authorizations.

On November 28, 2007, Argentine Congress passed a law known as the Forest Lax which sets minimum standards for the conservation of native forests and incorporates minimum provincial expenditures to promote the protection, restoration, conservation and sustainable use of native forests. The Forest Law prevents landowners, including deforestation of native forests or converting non-forested areas in forested land for other commercial uses without prior permission from each local government that gives the permit and requires the preparation, appraisal and approval of a report environmental impact. The Forest Law also provides that each province should adopt its own legislation and its map of regional order within one year. During the time that such an implementation requires provincial new clearing will be authorized a plan for implementation within one year and not allow any deforestation during this period of one year. In addition, the Forest Law also establishes a national policy for sustainable use of native forests and includes the recognition of native communities that aims to provide preferential use rights to indigenous communities living and farming near the forest. In this case, the relevant provincial authority may not issue permits without formal public hearings and written consent of such communities.

Our activities are subject to a number of national, provincial and municipal environmental provisions. Section 41 of the Argentine Constitution, as amended in 1994, provides that all Argentine inhabitants have the right to a healthy and balanced environment fit for human development and have the duty to preserve it. Environmental damage shall bring about primarily the obligation to restore it as provided by applicable law. The authorities shall see to the protection of this right, the rational use of natural resources, the preservation of the natural and cultural heritage and of biodiversity, and shall also provide for environmental information and education. The National Government shall establish minimum standards for environmental protection whereas Provincial and Municipal Governments shall fix specific standards and regulatory provisions.

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

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

On August 6, 2009, the *Comisión Nacional de Valores* issued General Resolution No. 559 (General Resolution No. 559/2009) providing for the rules applicable to listed companies whose corporate purpose comprise activities regarded as risky for the environment, in order to keep the shareholders, investors and the general public informed about the fulfillment of current environmental regulations. As of the date hereof, such Resolution has not been regulated as provided for therein.

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

Property and Transfer Taxes

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

Gross Sales Tax. A local transfer tax is imposed on the sale price of cattle, grains and milk at a general rate of 1%. In some provinces the sale of primary goods is not taxable.

Stamp Tax. This is a local tax that 23 provinces and the City of Buenos Aires collect based on similar rules regarding subject matter, tax base and rates.In general, this tax is levied on acts validated by documents, (e.g. acts related to the constitution, transmission, or expiration of rights, contracts, contracts for sales of stock and company shares, public deeds relating to real property, etc.).

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

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

When a request for approval is filed, the Antitrust Authority may (i) authorize the transaction, (ii) subordinate the transaction to the accomplishment of certain conditions, or (iii) reject the authorization.

The Antitrust Law provides that economic concentrations in which the transaction amount and the value of the assets absorbed, acquired, transferred or controlled in Argentina, do not exceed Ps.20.0 million are exempted from the administrative authorization. Notwithstanding the foregoing, when the transactions effected during the prior 12-month period exceed in total Ps.20.0 million or Ps.60.0 million in the last 36 months, these transactions must be notified to the Antitrust Authority.

As the consolidated annual sales volume of Cresud and IRSA exceed Ps.200.0 million, IRSA should give notice to the Antitrust Authority of any transaction within the scope of the Antitrust Law.

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On June 30, 2009 Cactus Feeders, Cresud and Helmir subscribed a stock purchase agreement, whereby Cactus Feeders Inc. transferred to Cresud and Helmir, which is controlled indirectly by Cresud shares of Cactus Argentina. Moreover on June 07, the economic concentration was notified to the Antitrust Authority, however as of the date of this Annual Report, Antitrust Authority has not pronounced.

Real Estate Business

During the fiscal year ended June 30, 2009, we acquired directly or indirectly 78,181,444 additional shares of IRSA. Our equity interest in IRSA is 55.64% as of June 30, 2009. We started consolidated the accounts and results of operations of IRSA as from October 1, 2008. Our consolidated financial information for periods prior to October 1, 2008 does not include the accounts of IRSA on a consolidated basis. Therefore, the income statement, balance sheet and cash flow data as of June 30, 2009 and for the year then ended is not comparable to prior periods.

Operations and principal activities

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

- the acquisition, development and operation of shopping centers,
- the origination, securitization and management of credit card receivables,
- the acquisition and development of residential properties and undeveloped land reserves for future development and sale,
- the acquisition, development and operation of office and other non-shopping center properties primarily for rental purposes, and
- the acquisition and operation of luxury hotels.

As of June 30, 2008 and 2009, we had total assets of Ps.4,472.0 million and Ps.4,936.0 million, respectively, and a shareholders equity of Ps.1,924.2 million and Ps.2,095.7 million, respectively. IRSA s net income for the fiscal years ended June 30, 2007, 2008, and 2009 was Ps.107.1 million, Ps.54.9 million, and Ps.158.6 million, respectively. IRSA is the only Argentine real estate company whose shares are listed on the Buenos Aires Stock Exchange and whose GDSs are listed on the New York Stock Exchange.

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Consolidated Revenues by Business Segment and Geographic Area

	Revenues for fiscal years ended June 30,(1)		
	2007	2008	2009
	(in thousands of Pesos)		
Offices and other non-shopping center leased properties:			
City of Buenos Aires	56,442	100,384	147,142
Buenos Aires Province	651	605	607
Subtotal Offices and other non-shopping center leased properties	57,093	100,989	147,749
Shopping Centers and Consumer Financing Operations:			
City of Buenos Aires	407,294	532,020	514,353
Buenos Aires Province	31,249	39,958	47,488
Salta Province	6,635	9,598	10,838
Santa Fe Province	15,464	20,040	24,141
Mendoza Province	18,779	24,232	25,478
Córdoba Province	3,810	10,577	11,263
Subtotal Shopping Centers and Credit Card Operations	483,231	636,425	633,561
Sales and Developments:			
City of Buenos Aires	74,536	189,296	262,709
Buenos Aires Province	1,124	4,030	9,980
Córdoba Province	91	57	29
Santa Fe Province		3,428	7,644
Subtotal Sales and Developments	75,751	196,811	280,362
Hotels:			
City of Buenos Aires	74,601	92,043	98,427
Rio Negro Province	48,080	56,804	60,486
Subtotal Hotels	122,681	148,847	158,913
Total The City of Buenos Aires	612,873	913,743	1,022,630
Total Buenos Aires Province	33,024	44,593	58,075
Total Rio Negro Province	48,080	56,804	60,486
Total Santa Fe Province	15,464	23,468	31,785
Total Salta Province	6,635	9,598	10,838
Total Córdoba Province	3,901	10,634	11,292
Total Mendoza Province	18,779	24,232	25,478
Total	**738,756**	**1,083,072**	**1,220,584**

(1) Revenues do not includes our income from Financial operations and others segment.

Shopping centers. We are engaged in purchasing, developing and managing shopping centers through IRSA s subsidiary APSA. APSA operates and owns majority interests in eleven shopping centers, seven of which are located in the Buenos Aires metropolitan area, and the other four are located in the cities of Mendoza, Rosario, Córdoba and Salta. Our Shopping centers segment had assets of Ps.1,705.0 million and Ps.2,020.7 million as of June 30, 2008 and 2009 respectively, representing 38.1% and 40.9%, respectively, of its consolidated assets at such dates, and generated operating income of Ps.124.8 million, Ps.182.3 million and Ps.214.9 million during years 2008 and 2009 respectively, representing 71.5% and 72.7%, respectively of our consolidated operating income for such years.

Consumer Financing. We are engaged in the consumer financing business through IRSA s majority-owned subsidiary, Tarshop. Tarshop s credit card operations consist primarily of lending and servicing activities relating to the credit card products it offers to consumers at shopping centers, hypermarkets and street stores. We finance a substantial part of IRSA s credit card advances through securitization of the receivables underlying the accounts it originates. Our revenues from credit card operations are derived from interest income generated by financing and lending activities, merchants fees, insurance charges for life and disability insurance, and fees for data processing and other services. Our consumer financing segment had assets of Ps.134.1 million and Ps.174.9 million as of June 30, 2008 and 2009 respectively, representing 3.0% and 3.5%, respectively, of our consolidated assets at such dates and generated an operating income of Ps.32.6 million and an operating loss of Ps.17.7 million and an operating loss of Ps.125.4 million during years 2007, 2008 and 2009, respectively, representing(16.4)% (6.9)% and (42.4)%, respectively, of our consolidated operating income for such years.

Development and sale of properties. The acquisition and development of residential apartment complexes and residential communities for sale is another of our core activities. Our development of residential apartment complexes consists of the construction of high-rise towers or the conversion and renovation of existing structures, such as factories and warehouses. In residential communities, we acquire vacant land, develop infrastructure such as roads, utilities and common areas, and sell plots of land for construction of single-family homes. Our Development and Sale of Properties segment had assets of Ps.462.9 million and Ps.507.8 million as of June 30, 2008 and 2009, respectively, representing 10.4% and 10.3%, respectively, of our consolidated assets at such dates, and generated operating income of Ps.6.2 million, Ps.19.3 million and Ps.121.2 million during years 2007, 2008 and 2009, respectively, representing 3.4%, 7.6% and 41.0%, respectively, of our consolidated operating income for such years.

Office and other non-shopping center rental, properties. In December 1995, we launched our office rental business by acquiring three prime office towers in Buenos Aires: Libertador 498, Maipú 1300 and Madero 1020. As of June 30, 2009, we, directly and indirectly, owned a significant interest in office buildings in Argentina that in the aggregate represented 156,000 square meters of gross leasable area. Our Offices and Other Non-Shopping Center Rental Properties segment had assets of Ps.1,056.5 million and Ps.1,014.9 million as of June 30, 2008 and 2009, respectively, representing 23.6% and 20.6%, respectively, of our consolidated assets at such dates, and generated operating income of Ps.20.2 million, Ps.52.9 million and Ps.76.5 million during years 2007, 2008 and 2009 fiscal years, respectively, representing, 10.2% 20.8% and 25.9%, respectively, of our consolidated operating income for such years.

Hotel operations. In 1997, we acquired the Hotel Llao Llao and an indirect controlling interest in the Hotel Intercontinental in Buenos Aires . In March 1998, we acquired the Hotel Sheraton Libertador in Buenos Aires and later, we sold a 20% interest to an affiliate of Hoteles Sheraton and during the fiscal year 2000, we sold 50% of our interest in the Hotel Llao Llao to the Sutton Group. Our Hotel operations segment, which consists of these three hotels, had assets of Ps.252.0 million and Ps.246.4 million as of June 30, 2008 and 2009, respectively, representing 5.6% and 5.0%, respectively, of our consolidated assets at such dates, and generated income of Ps.17.7 million Ps.18.0 million and Ps.8.6 million during years 2007, 2008 and 2009, representing 7.4 %, 7.1% and 2.9%, respectively, of our consolidated operating income for such years.

Financial Operations and other. As of June 30, 2009, IRSA owned 21.34% of Banco Hipotecario, Argentina s leading mortgage lender. IRSA acquired 2.9% of Banco Hipotecario for Ps.30.2 million when it was privatized in 1999. During 2003 and 2004, IRSA increased its investment in Banco Hipotecario to 11.8% by acquiring additional shares, and by acquiring and exercising warrants, for an aggregate purchase price of Ps.33.4 million. In May 2004, IRSA sold Class D shares representing 1.9% of Banco Hipotecario to IFISA, for Ps.6.0 million, generating a loss of Ps.1.6 million. During fiscal year 2009, IRSA and its subsidiaries increased their interest in Banco Hipotecario by acquiring 143,627,987 shares representative of 9.58% of its capital stock for Ps.107.5 million, equivalent to a 21.34% (without consideting treasury shares) investment in Banco Hipotecario held in the form of Class D shares, which are currently entitled to three votes per share, affording it the right to vote 33.30% of the total votes that can be cast at Banco Hipotecario s shareholders meetings. As of June 30, 2009, IRSA s investment in Banco Hipotecario represented 10.9% of IRSA s consolidated assets, and during IRSA s fiscal years ended June 30, 2007, 2008 and 2009, this investment generated income for Ps.47.0 million, Ps.41.4 million, losses for Ps.12.4 million, and income for Ps.142.1 million, respectively.

Business Strategy

We, through IRSA, seek to take advantage of our position as a leading company in Argentina dedicated to owning, developing and managing real estate. Our business strategy seek to (i) generate stable cash flows through the operation of our real estate rental assets (shopping centers, office buildings, hotels), (ii) achieve long-term appreciation of our asset portfolio by taking advantage of development opportunities, and (iii) increase the productivity of land reserves and enhance the margins of our sales and developments segment through, the organization of partnerships with other developers.

Without considering treasury shares .

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Shopping centers. In recent years, the Argentine shopping center industry has benefited from improved macroeconomic conditions and a significant expansion in consumer credit. We believe that the Argentine shopping center sector offers attractive prospects for long-term growth due to, among other factors, a continuing evolution of consumer preferences in favor of shopping malls (away from small neighborhood shops) and a level of shopping center penetration that we consider low compared to many developed countries. Through IRSA we seek to improve our leading position in the shopping center industry in Argentina by means of the generation of a sustainable growth in cash flow and the increase in the long-term value of our property assets. Our core operating strategy is to maximize revenue growth and profitability from our shopping centers. We maintain our leadership by developing new shopping centers in urban areas with attractive prospects for growth, including in the Buenos Aires metropolitan area, Argentine provincial cities, and possibly elsewhere in Latin America.

Consumer financing. We have developed a consumer financing business through Tarshop, IRSA s controlled subsidiary. Tarshop s operations consist primarily of lending and servicing activities relating to the credit card products we offer to consumers at shopping centers, hypermarkets and street stores.

Development and sale of properties. During the economic crisis in Argentina in 2001 and 2002, a scarcity of mortgage financing restrained growth in middle class home purchases. As a result, in recent years, we focused on projects for affluent individuals who did not need to finance their home purchases, by concentrating on the development of residential properties for medium- and high-income individuals. In urban areas, we seek to purchase undeveloped properties in densely-populated areas and build apartment complexes offering greenspace for recreational activities. In suburban areas, we seek to develop residential communities by acquiring undeveloped properties with convenient access to Buenos Aires, developing roads and other basic infrastructure such as power and water, and then selling lots for the construction of residential units. During fiscal year 2008, IRSA entered into a partnership with Cyrela Empreendimentos e Participações, a leading Brazilian residential real estate developer, to penetrate in other market segments left unattended until now. IRSA-CYRELA will develop residential real estate projects in Argentina for purposes of increasing our presence in this business by offering financing to our customers.

Office and other non- shopping center properties. During the Argentine economic crisis in 2001 and 2002, little new investment was made in high-quality office buildings in Buenos Aires and, as a result, we believe there is currently substantial demand for desirable office space in Buenos Aires. We seek to purchase, develop and operate premium office buildings in strategically-located business districts in the City of Buenos Aires and other locations that we believe offer potential for rental income and long-term capital gain. We expect to continue our focus on attracting premium corporate tenants to our office buildings and will consider opportunities to acquire existing properties or construct new buildings depending on the location and circumstances.

Hotel operations. We believe our portfolio of three luxury hotels is positioned to take advantage of future growth in tourism and business travel in Argentina. Our strategy has been to invest in high-quality properties which are operated by leading international hotel companies to capitalize on our operating experience and international reputation. The aggregate number of rooms that we have in Hotel Sheraton Libertador, Hotel Llao Llao and Hotel Inter Continental is 710. In December, 2007 we inaugurated 43 new suites in the Hotel Llao Llao in Bariloche, Argentina. To keep a high service level in the Hotel Sheraton Libertador and Hotel Intercontinental we have remodeled in the past and may continue making improvements in the future.

Financial Operations and others. Banco Hipotecario is a full-service commercial bank offering a wide variety of banking activities and related financial services to individuals, small- and medium-sized companies and large corporations. Among these services, mortgage loans stand out as Banco Hipotecario a leader in this segment in Argentina. Since 1999, Banco Hipotecario s shares have been listed on the Buenos Aires Stock Exchange, and since 2006 it has obtained the Level 1 ADR program of the Bank of New York. We believe that our 26.86% investment in Banco Hipotecario (without considering treasury shares) has attractive prospects for long-term appreciation. Unlike other countries, Argentina has a low level of mortgages outstanding, measured in terms of GDP; accordingly, a significant potential growth is expected for this sector in the future.

Land reserves. We continuously seek to acquire undeveloped land at locations we consider attractive inside and outside Buenos Aires. In all cases, our intention is to purchase land with significant development or appreciation potential for subsequent sale. We believe that holding a portfolio of desirable undeveloped parcels of land enhances our ability to make strategic long-term investments and affords us a valuable pipeline of new development projects for upcoming years.

International. In the past, we had made significant real estate investments outside of Argentina, including investments in Brazil Realty S.A. in Brazil and Fondo de Valores Inmobiliarios in Venezuela which we disposed of in 2002 and 2001, respectively. Pursuant to our business strategy, IRSA will make future real estate investments in Argentina and abroad as long as it identifies attractive investment and development opportunities.

In July 2008 IRSA acquired 30% of Metropolitan 885 (whose main asset is an office building in the City of New York located on the Third Avenue between 53rd and 54 th streets, in the District of Manhattan. In addition to the building, the acquired company includes the debt associated with such asset.

Shopping Centers

Overview

We are engaged in the ownership, acquisition, development, leasing, management and operation of shopping centers through IRSA s subsidiary APSA. As of June 30, 2009, APSA owned a majority interests, and operated, a portfolio of eleven shopping centers, of which six are located in the City of Buenos Aires (Abasto, Paseo Alcorta, Alto Palermo, Patio Bullrich, Buenos Aires Design and Dot Baires Shopping), one is located in the greater Buenos Aires metropolitan area (Alto Avellaneda) and the remaining shopping centers are located in different Argentine provinces (Alto Noa in the City of Salta, Alto Rosario in the City of Rosario, Mendoza Plaza in the City of Mendoza and Córdoba Shopping Villa Cabrera in the City of Córdoba).

As of June 30, 2009, IRSA owned 63.3% of APSA and Parque Arauco S.A. owned 29.6%. The remaining shares are held by the investor public and traded on the *Bolsa de Comercio de Buenos Aires* and the related ADSs are listed and traded on the Nasdaq National Market (USA) under the symbol APSA. In addition, as of June 30, 2009, IRSA owned US$31.7 million of APSA s convertible notes due July 2014. If IRSA, and all the other holders of such convertible notes were to exercise their options to convert the convertible notes into shares of APSA s common stock, its shareholding in APSA would increase to 65.9% of its fully diluted capital.

As of June 30, 2009, APSA s shopping centers comprised a total of 287,542 square meters of gross leaseable area (excluding certain space occupied by hypermarkets which are not APSA s tenants). For the period ended June 30, 2009, the average occupancy rate of APSA s shopping center portfolio was approximately 98.6%.

As a result of IRSA s acquisition of several shopping centers, we have centralized management of our shopping centers in APSA, which is responsible for providing common area electrical power, a main telephone switchboard, central air conditioning and other basic common area services.

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The following table shows certain information concerning IRSA s subsidiary s APSA shopping centers as of June 30, 2009:

Shopping Centers

	Date of Acquisition	Gross Leaseable Area sqm (1)	APSA s Effective Interest (3)	Occupancy rate (2)	Cumulative Rental Income For the fiscal years as of June 30 (in thousands of Ps.) (4) 2009	2008	2007	Book Value (in thousands of Ps.) (5)
Shopping Centers (6)								
Dot Baires Shopping (7)	12/01/06	49,731	80.0%	99.9%	8,499			557,852
Abasto (8)	07/17/94	37,604	100.0%	99.8%	77,773	69,639	56,380	172,586
Alto Palermo	11/23/97	18,635	100.0%	100.0%	82,450	69,847	57,345	156,665
Patio Bullrich	10/01/98	11,741	100.0%	99.6%	31,537	28,864	25,368	96,903
Mendoza Plaza Shopping	12/02/04	41,118	100.0%	96.8%	25,478	24,232	18,779	85,294
Alto Avellaneda	11/23/97	37,298	100.0%	100.0%	47,488	39,958	31,249	84,624
Alto Rosario Shopping (8)	11/09/04	28,640	100.0%	95.0%	24,141	20,040	15,464	79,436
Paseo Alcorta	06/06/97	14,385	100.0%	97.9%	39,067	37,293	31,241	74,020
Córdoba Shopping Villa Cabrera	12/31/06	15,789	100.0%	96.4%	11,262	10,577	3,810	69,195
Alto Noa	03/29/95	18,851	100.0%	99.9%	10,838	9,598	6,635	23,081
Project Neuquén (9)	07/06/99	N/A	94.6%	N/A				12,127
Buenos Aires Design	11/18/97	13,750	53.7%	98.8%	12,965	12,020	10,359	11,306
Fibesa and others (10)		N/A	100.0%	N/A	16,431	21,402	13,636	
Comercializadora Los Altos S.A.		N/A	100.0%	N/A	8,804	1,925		
TOTAL SHOPPING CENTERS		**287,542**	**94.9%**	**98.5%**	**396,733**	**345,395**	**270,266**	**1,423,089**

(1) Total leaseable area in each property. Excludes common areas and parking spaces.
(2) Calculated dividing occupied square meters by leaseable.
(3) Effective interest of APSA in each business unit. We have a 63.34% in APSA.
(4) Represents the total leases consolidated by application of the RT21 method.
(5) Cost of acquisition plus improvements, less accumulated depreciation, plus adjustment for inflation, less allowance for impairment in value, plus recovery of allowances if applicable.
(6) Owned through Alto Palermo S.A.
(7) On May 13, 2009, a shopping center, a hypermarket and a movie theater complex were opened. Still pending is the completion of an office and/or residential building.
(8) Excludes Museo de los Niños. (Abasto 3,732m2; Rosario 1,260m^2)
(9) Land for the development of a Shopping Center.
(10) Includes revenues from Fibesa S.A. and others.

Tenant Retail Sales

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

	Fiscal year ended June 30, (1) 2007 Ps.	2008 Ps.	2009 Ps.
Abasto	573,814,588	720,398,373	774,496,092
Alto Palermo	502,220,444	631,821,667	745, 008,569
Alto Avellaneda	418,349,117	560,693,754	696,502,305

Paseo Alcorta	321,948,304	385,515,939	374,756,633
Patio Bullrich	226,200,714	271,411,516	274,923,406
Alto Noa	130,318,508	173,998,891	211,353,264
Buenos Aires Design	110,722,931	132,952,563	129,072,350
Mendoza Plaza	337,757,597	433,394,266	436,599,085
Alto Rosario	204,430,069	271,331,827	318,443,541
Cordoba Shopping Villa Cabrera (3)	N/A	120,827,838	133,526,649
Dot Baires Shopping	N/A	N/A	99,478,084
Total retail sales (2)	**2,825,762,272**	**3,702,346,634**	**4,194,159,978**

Notes:

(1) Retail sales based upon information provided to us by retailers and prior owners. The amounts shown reflect 100% of the retail sales of each shopping center, although in certain cases APSA owns less than 100% of such shopping centers.
(2) Excludes sales from the booths and spaces used for special exhibitions.
(3) Sales between January and June 2007 amounted to Ps.44,736,781

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Lease Expirations

The following table shows a schedule of estimated lease expirations for IRSA s shopping centers for leases in effect as of June 30, 2009, assuming that none of the tenants exercise renewal options or terminate their lease early.

Lease Expirations as of June 30[3],	Number of Leases Agreement Expiration	Square Meters Subject to Expiring Leases (sqm)	Percentage of Leases to Expire (%)	Annual Agreements to Expire (1) (Ps.)	Percentage of Agreements to Expire (%)
2010	543	91,548	32%	73,730,303	32%
2011	331	42,251	15%	54,185,002	23%
2012	294	37,483	13%	52,686,545	23%
2013 and subsequent years	196	116,260	40%	52,314,176	22%
Total (2)	1,364	287,542	100%	232,916,026	100%

(1) Includes only the basic rental income amount. Does not give effect to APSA s ownership interest.
(2) Includes stores which contracts have not been renewed yet and vacant stores at June 30, 2009.
(3) Even through the leases are cancelable by law, we consider them to be non-cancelable for this purposes. See *note 29.1.t.2 to our Consolidated Financial Statements* for more information as to how we consider this definition.

Occupancy Rate

The following table sets forth the occupancy rate of expressed as a percentage of gross leasable area as of dates stated below:

	Occupancy Rate Fiscal year ended June 30,		
	2009 (%)	2008 (%)	2007 (%)
Abasto	99.8	99.6	97.0
Alto Palermo Shopping	100.0	100.0	99.6
Alto Avellaneda	100.0	99.8	95.0
Paseo Alcorta	97.9	99.5	99,0
Patio Bullrich	99.6	100.0	100,0
Alto Noa	99.9	100.0	100,0
Buenos Aires Design	98.8	100.0	100.0
Alto Rosario	95.0	99.2	93,4
Mendoza Plaza Shopping	96.8	97.7	95.9
Córdoba Shopping Villa Cabrera (1)	96.4	97.2	
Dot Baires Shopping	99.9		
Total average	98.6	99.3	97.8

(1) The occupancy percentage between January and June 2007 amounted to 99.0%

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Rental Price

The following table shows the average rental price per square meter per year/period for the fiscal years ended June 30, 2009, 2008 and 2007:

	Annual Average Revenue per square meter Fiscal year ended June 30, (1):		
	2009 (Ps./m2)	2008 (Ps./m2)	2007 (Ps./m2)
Abasto de Buenos Aires	1,711	1,437	1,273
Alto Palermo Shopping	3,581	3,058	2,925
Alto Avellaneda (2)	1,156	972	1,100
Paseo Alcorta	2,409	2,314	2,074
Patio Bullrich	2,255	2,096	2,051
Alto Noa	503	461	344
Buenos Aires Design	731	673	634
Alto Rosario	747	609	484
Mendoza Plaza Shopping	547	537	456
Córdoba Shopping Villa Cabrera (3)(5)	591	558	N/A
Dot Baires Shopping (4)	1,162	N/A	N/A

(1) The annual rental price per gross leasable meter reflects basic and supplementary rental charges as well as revenues from admission rights divided by the square meters of the gross leasable area.
(2) The decrease in revenues per square meter in fiscal 2008 at Alto Avellaneda is due to the inclusion of 11,600 sqm belonging to Falabella.
(3) The values for 2008 were modified on the basis of the movie theaters surface areas.
(4) The values corresponding to Dot have been adjusted and annualized as the actual figures reflect only one month and 19 days.
(5) The average price of the leases between January and June 2007, was Ps.469.7.

Depreciation

The net book value of the properties has been determined using the straight-line method of depreciation calculated over the useful life of the property. For more information, see APSA s Audited Consolidated Financial Statements, as filed with Argentine Securities Commission (CNV).

Principal Terms of Alto Palermo s Leases

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

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

Obligations will have to be paid in Pesos at a rate of Ps.1.00 = US$ 1.00. Additionally, these obligations are subject to inflation adjustment through the CER index;

if, as a consequence of this adjustment, the agreement is unfair to any of the parties, as long as the party that has the obligation to pay is not overdue and the adjustment is applicable, either may ask the other for a fairness adjustment. If they do not reach an agreement, a court will make the decision in order to preserve the continuity of the contract relation in a fair way; and new lease agreements may be freely entered into between parties, even U.S. dollar denominated lease agreements.

Leasable space in APSA s shopping centers is marketed through an exclusive arrangement with APSA s real estate brokers Fibesa S.A. and Comercializadora Los Altos S.A., the latter being solely in charge of the marketing of Dot Baires Shopping. APSA has a standard lease agreement, the terms and conditions of which are described below, which APSA use for most tenants. However, APSA s largest tenants generally negotiate better terms for their respective leases. No assurance can be given that lease terms will be as set forth in the standard lease agreement.

APSA charges its tenants a rent which consists of the higher of (i) a monthly base rent (the Base Rent) and (ii) a specified percentage of the tenant s monthly gross sales in the store (the Percentage Rent) (which generally ranges between 4% and 8% of tenant s gross sales). Furthermore, pursuant to the rent escalation clause in most leases, a tenant s Base Rent generally increases between 7% and 12% on an annual and cumulative basis as from the thirteenth (13th) month of effectiveness of the lease. Although many of APSA s lease agreements contain readjustment clauses, these are not based on an official index nor do they reflect the inflation index. In the event of litigation, there can be no assurance that APSA may be able to enforce such clauses contained in APSA s lease agreements. See Risk Factors for a more detailed discussion.

In addition to rent, APSA charge most of its tenants an admission right, which is required to be paid upon entering into a lease agreement and upon a lease agreement renewal. The admission right is normally paid in one lump sum or in a small number of monthly installments. If the tenant pays this fee in installments, it is the tenant s responsibility to pay for the balance of any such amount unpaid in the event the tenant terminates its lease prior to its expiration. In the event of unilateral termination and/or resolution for breach of duties by the tenant, a tenant will not be refunded its admission right without APSA s consent.

APSA is responsible for supplying each shopping center with the electrical power connection and provision, a main telephone switchboard, central air conditioning connection and a connection to a general fire detection system. Each rental unit is connected to these systems. APSA also provide the food court tenants with sanitation and with gas systems connections. Each tenant is responsible for completing all the necessary installations within its own rental unit, in addition absorbing the direct expenses generated by these items within each rental unit. These direct expenses generally include: electricity, water, gas, telephone and air conditioning. Tenants must also pay for a percentage of total charges and general taxes related to the maintenance of the common areas. APSA determines this percentage based on different factors. The common area expenses include, among others, administration, security, operations, maintenance, cleaning and taxes.

APSA carries out promotional and marketing activities to increase attendance to APSA s shopping centers. These activities are paid for with the tenants contributions to the Common Promotional Fund (CPF), which is administered by APSA. Every month tenants contribute to the CPF an amount equal to approximately 15% of their rent (Base Rent plus Percentage Rent), in addition to rent and expense payments. APSA may increase the percentage that tenants must contribute to the CPF, but the increase cannot exceed 25% of the original amount set forth in the corresponding lease agreement for the contributions to the CPF. APSA may also require tenants to make extraordinary contributions to the CPF to fund special promotional and marketing campaigns or to cover the costs of special promotional events that benefit all tenants. APSA may require tenants to make these extraordinary contributions up to four times a year provided that each such extraordinary contribution may not exceed 25% of the preceding monthly rental payment of the tenant.

Each tenant leases its rental unit as a shell without any fixtures. Each tenant is responsible for the interior design of its rental unit. Any modifications and additions to the rental units must be pre-approved by APSA. APSA has the option to decide tenants responsibility for all costs incurred in remodeling the rental units and for removing any additions made to the rental unit when the lease expires. Furthermore, tenants are responsible for obtaining adequate insurance for their rental units, which must include, among other things, coverage for fire, glass breakage, theft, flood, civil liability and workers compensation.

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Sources of Shopping Center Revenues

Set forth below is a breakdown of the sources of shopping center revenues for the fiscal years ended June 30, 2007, 2008 and 2009:

	Fiscal Year ended June 30,		
	2009 (Ps.)	2008 (Ps.)	2007 (Ps.)
Fixed monthly minimum rent	196,039,212	159,140,526	129,594,156
Variable rent dependent on prices	70,883,545	73,298,452	51,872,357
Booth and kiosk rentals	31,774,087	27,144,073	21,303,064
Admission fees	47,690,439	40,275,442	34,477,499
Miscellaneous	33,275,688	31,959,152	23,012,445
Parking	17,070,274	13,577,014	9,872,453
Total rentals and services	396,733,245	345,394,659	270,131,974

Detailed Information About Each of APSA s Shopping Centers

Set forth below is a brief description of APSA s shopping center portfolio

Alto Palermo Shopping, City of Buenos Aires. Alto Palermo Shopping is a 145-store shopping center that opened in 1990 and is located in the densely populated neighborhood of Palermo in the City of Buenos Aires. Alto Palermo Shopping is located only a few minutes from downtown Buenos Aires and with nearby subway access. Alto Palermo Shopping has a total constructed area of 65,029 square meters that consists of 18,635 square meters of gross leaseable area. The shopping center has a food court with 19 stores. Alto Palermo Shopping is spread out over four levels and its parking lot may accommodate 654 cars. In the fiscal year ended on June 30, 2009, the public visiting the shopping center generated nominal retail sales totaling approximately Ps.745 million, which represents annual sales for approximately Ps.39,979.0 per square meter. Principal tenants currently include Zara, Garbarino, Sony Style, Frávega and Just For Sport. Alto Palermo Shopping s five largest tenants (in terms of sales in this shopping center) accounted for approximately 17.3% of its gross leaseable area at June 30, 2009 and approximately 9.5% of its annual base rent for the fiscal year ended on such date.

Alto Avellaneda, Avellaneda, Greater Buenos Aires. Alto Avellaneda is a 144-store shopping center that opened in October 1995 and is located in the densely populated neighborhood known as Avellaneda, on the southern border of the City of Buenos Aires. Alto Avellaneda has a total constructed area of 108,599 square meters that includes 37,298 square meters of gross leaseable area. Alto Avellaneda has a six-screen multiplex movie theatre, a Wal-Mart megastore, an entertainment center, a bowling alley, an 18-restaurant food court and starting in April 28, 2008, it also hosts a Falabella department store. Wal-Mart (not included in the gross leaseable area) acquired the space it occupies, but it pays a share of the common expenses of Alto Avellaneda s parking lot. This shopping center offers free-of-charge parking space for 2,700 cars over an area of 47,856 square meters. In the fiscal year ended June 30, 2009, the public visiting the shopping center generated nominal retail sales that totaled approximately Ps.696.5 million, which represents annual revenues for approximately Ps.18,674.0 per square meter. Principal tenants currently include Falabella, Garbarino, Frávega, Compumundo and Sport Line. Alto Avellaneda s five largest tenants (in terms of sales in this shopping center) accounted for approximately 34.4% of its gross leaseable area at June 30, 2009 and approximately 21.3% of its annual base rent for the fiscal year ended on such date

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Paseo Alcorta, City of Buenos Aires. Paseo Alcorta is a 111-store shopping center that opened in 1992 and is located in the residential neighborhood of Palermo Chico, one of the most exclusive areas in the City of Buenos Aires, within a short drive from downtown Buenos Aires. Paseo Alcorta has a total constructed area of approximately 87,554 square meters that consists of 14,385 square meters of gross leaseable area. The three-level shopping center includes a four-screen multiplex movie theatre, a 17-restaurant food court, a Carrefour hypermarket, and a parking lot with approximately 1,300 spaces. Carrefour purchased the space it now occupies but it pays a share of the expenses of the shopping center s parking lot. In the fiscal year ended June 30, 2009, the public visiting the shopping center generated nominal retail sales that totaled approximately Ps.374.8 million, which represents annual sales for approximately Ps.26,051.9 per square meter. Principal tenants currently include Zara, Frávega, Rapsodia, Kartun and Etiqueta Negra. Paseo Alcorta s five largest tenants (in terms of sales in this shopping center) accounted for approximately 14.2% of Paseo Alcorta s gross leaseable area at June 30, 2009 and approximately 8.9% of its annual base rent for the fiscal year ended on such date.

Abasto Shopping, City of Buenos Aires. Abasto Shopping is a 173-store shopping center located in the City Buenos Aires. Abasto Shopping is directly accessible by subway, railway and highway. Abasto Shopping opened in November 1998. The principal building is a landmark building which during the period 1889 to 1984 operated as the primary fresh produce market for the City of Buenos Aires. The property was converted by IRSA s subsidiary APSA into an 116,646 square meter shopping center, with approximately 37,604 square meters of gross leaseable area (41,336 sqm if we consider also Museo de los Niños). The shopping center includes a food court with 27 stores covering an area of 8,021 square meters, a 12-screen multiplex movie theatre, entertainment facilities and the Museo de los Niños Abasto, a museum for children. Abasto Shopping is spread out over five levels and has a 1,200-car parking lot. In the fiscal year ended June 30, 2009, the public visiting the shopping center generated nominal retail sales that totaled approximately Ps.774.5 million, which represents annual sales for approximately Ps.20,596.1 per square meter. Total revenues from rentals went up from approximately Ps.70.3 million for the fiscal year ended on June 30, 2008 to Ps.78.1 million for the fiscal year ended on June 30, 2009 which in turn represents monthly revenues per square meter of gross leasable area equivalent to Ps.147.8 in 2008 and Ps.173.1 in 2009. Principal tenants currently include Garbarino, Zara, Frávega, Mc Donald s and Compumundo. Abasto Shopping Center s five largest tenants (in terms of sales in this shopping center) accounted for approximately 7.2% of the annual base rent for the fiscal year ended on June 30, 2009.

Patio Bullrich, City of Buenos Aires. Patio Bullrich is an 85-store shopping center located in Recoleta, a popular tourist zone in City of Buenos Aires a short distance from the Caesar Park, Four Seasons and Hyatt hotels. Patio Bullrich has a total constructed area of 29,982 square meters that consists of 11,741 square meters of gross leaseable area. The four-story shopping center includes a 13-store food court, an entertainment area, a four-screen multiplex movie theatre and a parking lot with 215 spaces. In the fiscal year ended June 30, 2009, the public visiting the shopping center generated nominal retail sales that totaled approximately Ps.274.9 million, which represents sales for approximately Ps.23,415.7 per square meter. Principal tenants currently include Zara, Etiqueta Negra, Rouge International La Martina and Rapsodia. Patio Bullrich s five largest tenants (in terms of sales in the shopping center) accounted for approximately 20.0% of Patio Bullrich s gross leaseable area at June 30, 2009, and approximately 15.7% of its annual base rent for the fiscal year ended on such date.

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Alto Noa, City of Salta. Alto Noa is an 88-store shopping center located in the City of Salta, the capital of the Province of Salta. The shopping center consists of approximately 30,876 square meters of total constructed area that consists of 18,851 square meters of gross leaseable area and includes a 14-store food court, an entertainment center, a supermarket, an eight-screen movie theatre and parking facilities for 551 cars. In the fiscal year ended June 30, 2009, the public visiting the shopping center generated nominal retail sales that totaled approximately Ps.211.4 million, which represents annual sales for approximately Ps.11,211.8 per square meter. Principal tenants currently include Supermercado Norte, Garbarino, Boulevard Casino, Y.P.F., and Frávega. Alto Noa s five largest tenants (in terms of sales in this shopping center) represented approximately 32.9% of Alto Noa s gross leaseable area as of June 30, 2009 and approximately 16.4% of its annual base rent for the fiscal year ended on such date.

Buenos Aires Design, City of Buenos Aires. Buenos Aires Design is a 64-store shopping center intended for specialty interior, home decorating and restaurants that opened in 1993. APSA owns Buenos Aires Design through a 53.64% interest in Emprendimientos Recoleta S.A., which owns the concession to operate the shopping center. Buenos Aires Design is located in Recoleta, one of the most popular tourist zone in Buenos Aires City. Buenos Aires Design has a total constructed area of 26,131.5 square meters that consists of 13,750 square meters of gross leaseable area and 7 restaurants. It is divided into two floors and has a 174-car parking lot. In the fiscal year ended June 30, 2009, the public visiting the shopping center generated nominal retail sales that totaled approximately Ps.129.1 million, which represents annual sales for approximately Ps.9,387.1 per square meter. Principal tenants currently include Morph, Hard Rock Café, Barugel Azulay, Bazar Geo and Kalpakian. Buenos Aires Design s five largest tenants (in terms of sales in this shopping center) accounted for approximately 21.7% of Buenos Aires Design s gross leaseable area as of June 30, 2009 and 18.9% of its annual base rent for the fiscal year ended on such date.

Alto Rosario, City of Rosario. Alto Rosario is a shopping center of 145 stores, located in City of Rosario, Province of Santa Fe. It was inaugurated in November 2004 and has 100,750 square meters of fully covered surface, and 28,640 square meters of gross leaseable area. This center is primarily devoted to clothing and entertainment and includes a food court with 17 stores, a children s entertainment area, a 14-screen cinema complex and parking lot for close to 1,736 vehicles. In the fiscal year ended June 30, 2009, the public visiting the shopping center generated nominal retail sales that totaled approximately Ps.318.4 million, which represents annual sales for approximately Ps.11,118.8 per square meter. Principal tenants are Frávega, Cines Rosario, Sport 78, Red Megatone and Compumundo. Alto Rosario s five largest tenants (in terms of sales in this shopping center) accounted for approximately 37.3% of Alto Rosario s gross leaseable area as of June 30, 2009 and 10.7% of its annual base rent for the fiscal year ended on such date.

Mendoza Plaza, City of Mendoza. Mendoza Plaza is a 150 store shopping center located in the City Mendoza in the Province of Mendoza. It consists of 41,118 square meters of gross leaseable area. Mendoza Plaza has a multiplex movie theatre covering an area of approximately 3,659 square meters, the Chilean department store Falabella, a food court with 22 stores, an entertainment center and a supermarket which is also a tenant. In the fiscal year ended June 30, 2009, the public visiting the shopping center generated nominal retail sales that totaled approximately Ps.436.6 million, which represents annual sales for approximately Ps.10,618.2 per square meter. Principal tenants currently include Falabella, Super Plaza Vea, Garbarino, Frávega and Cines MP. Mendoza Plaza s five largest tenants (in terms of sales in this shopping center) accounted for approximately 43.7% of Mendoza Plaza s gross leaseable area at June 30, 2009, and approximately 23.0% of its annual base rent for the fiscal year ended on such date.

Córdoba Shopping, Villa Cabrera, Córdoba. Córdoba Shopping is a 106-store commercial center located in Villa Cabrera, Province of Córdoba. It covers 15,789 square meters of gross leaseable area. Córdoba Shopping has a 12-screen movie theatre complex, a food court an entertainment area and a parking lot for 1,500 vehicles. In the fiscal year ended June 30, 2009, the public visiting the shopping center generated nominal retail sales that totaled approximately Ps.133.5 million, which represents annual sales for approximately Ps.8,456.9 per square meter. Principal tenants are Cines Córdoba, Mc Donald s, New Sport, Dexter and Canotier. Córdoba Shopping s five largest tenants (in terms of sales in this shopping center) accounted for approximately 40.8% of Córdoba Shopping s gross leaseable area and approximately 10.6% of its annual base rent for the fiscal year ended on June 30, 2009.

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Dot Baires Shopping, City of Buenos Aires. Dot Baires Shopping is a shopping center that was opened in May 2009. It has 4 floors and 3 underground levels, a covered surface area of 173,000 square meters, of which 49,731 constitute Gross Leasable Area, 153 retail stores, a hypermarket, a 10-screen multiplex movie theater and parking space for 2,200 vehicles. At June 30, 2009, APSA had an 80% ownership interest in Panamerican Mall S.A. For the fiscal year ended on June 30, 2009, the public visiting Dot Baires generated, as from its opening, nominal retail sales that totaled approximately Ps.99.5 million, which represents annualized sales (i.e., averaging the months since the opening) for approximately Ps.16,002.6 per square meter. The main tenants include Falabella, Wall Mart, Zara, Garbarino and Frávega. Dot Baires Shopping s five largest tenants (in terms of sales in this shopping center) accounted for approximately 46.4% of Dot Baires Shopping s gross leasable area and approximately 2.8% of its annual base rent for the fiscal year ended on June 30, 2009.

Acquisition of Soleil Factory, San Isidro, Province of Buenos Aires. On December 28, 2007, APSA entered into a preliminary agreement with INC S.A. concerning a partial conveyance of goodwill whereby APSA agreed to buy a shopping center located in San Isidro, in northern Greater Buenos Aires, called Soleil Factory . The closing of this transaction is subject to certain conditions precedent. The total price was US$ 20.7 million, of which APSA paid US$ 8.1 million as down payment. The balance of US$ 12.6 million is payable in 2014. At that time, APSA signed a letter of offer for the acquisition, construction and operation of a Shopping Center in the premises owned by INC S.A. in the City of San Miguel de Tucumán, Province of Tucumán. This transaction is subordinated to certain conditions precedent, including, but not limited to, the partial acquisition from INC S.A. of the going concern formed by the Shopping Center operating in Soleil Factory.

Control Systems

APSA has computer systems to monitor tenants sales in all of its shopping centers. APSA also conducts regular manual audits of its tenants accounting sales records in all of IRSA s shopping centers. Almost every store in those shopping centers has a computerized cash register that is linked to a main computer server in the administrative office of such shopping center. APSA uses the information generated from the computer monitoring system for auditing the Percentage Rent to be charged to each tenant and use the statistics regarding total sales, average sales, peak sale hours, etc., for marketing purposes. The lease contracts for tenants in Alto Avellaneda, Alto Palermo, Paseo Alcorta, Patio Bullrich, Buenos Aires Design (only with respect to agreements signed after its acquisition), Abasto, Alto Rosario Shopping, Alto Noa, Empalme S.A.I.C.F.A. y G. (Empalme) and Mendoza Plaza Shopping contain a clause requiring tenants to be linked to the computer monitoring system, there being certain expemptions to this requirement.

Consumer Financing Segment

Through IRSA s subsidiary APSA we participate in the consumer financing business. APSA holds a 93.4% interest in Tarshop.

The Argentine consumer financing market revolves basically around two main instruments: credit cards and unsecured loans, both in cash and through consumption financing at retail stores. These two modalities entail the involvement of two types of entities: those regulated by the Law of Financial Institutions (Law No. 21,526) that include banks and financial institutions and unregulated institutions, such as Tarshop.

In turn, Tarshop s business structure includes (i) Credit Cards, (ii) Unsecured Loans, (iii) Consumer Financing at Retail Stores and (iv) Peripherals. As regards the Credit Card segment that does business as Tarjeta Shopping , Tarshop is responsible for issuance, processing and sales which in turn affords the company the advantage of being flexible in the design of plans that meet the needs of both target customers and the retail stores that operate with the company.

As of June 30, 2009, Tarshop had 855,000 customer accounts, 422,000 of which posted balances, with an average outstanding amount of Ps.1,438 per account. The total portfolio amounted to Ps.819 million, with 59.3% being securitized through the Tarjeta Shopping Financial Trust Program.

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Tarshop s current business network is made up by 22 points of sale scattered throughout the City of Buenos Aires, Greater Buenos Aires, Córdoba, Tucumán, Salta and Jujuy. As of June 30, 2009, the retail stores that accepted payments through the Tarshop credit card were more than 40,000, 41% of which post transactions on a regular basis. On the whole, more than 6.6 million transactions have been posted during the year mentioned.

In addition, Tarshop owns a 50% stake in Metroshop, with the remaining 50% being owned by Metronec S.A. Metroshop is a company engaged in the commercialization of credit cards with an embedded chip that allows automatic access to the main means of transportation and unsecured loans through an independent distribution network. Tarshop s involvement consists in processing the products commercialized by Metroshop.

From time to time IRSA s subsidiary APSA considers alternative strategies regarding its investment in Tarshop. In the course of fiscal year 2009, as a result of the international financial context and the complex situation of the financial trust market through which Tarshop obtains resources to fund its business the need arose for APSA to review the general and particular economic prospects of their subsidiary s business, and to take certain measures, all of them aimed at strengthening the business in the face of the prevailing economic conditions.

In this respect, APSA is currently considering alternatives to maximize the value of their investment in Tarshop, such as its potential merger with and/or sale to another entity engaged in the credit card business.

In order to face the increasing volatility in the international financial context and to provide Tarshop with a capital base in consonance with the current market conditions, in the first quarter of fiscal year 2009 APSA decided to take part in a capital increase for up to the amount of Ps.60 million, thereby increasing its ownership interest in Tarshop from 80% to 93.4%.

The following are some of the decisions made during fiscal year 2009:

(i) Readjustment of the operational structure to align it to the new business scenario.

(ii) Adjustments in plans involving both cash and Consumer Financing at retail stores.

(iii) Changes in Loan Origination Policies.

(iv) Reinforcement of Collection Management.

(v) Analysis and implementation of new funding tools.

(vi) Adjustment of the uncollectibility provisioning policies through the establishment of a criterion stricter than that suggested by the Argentine Central Bank.

During the second quarter of fiscal year 2009, APSA has provided financial assistance to Tarshop for Ps.105.0 million then accepted as irrevocable capital contributions. This measure was adopted to strengthen its financial position, meet operating expenses and reposition Tarshop on the market, considering the complex situation that presented the securitized receivables market, its historical source of financing. The capitalization of such irrevocable capital contributions was decided by Tarshop s Extraordinary Shareholders Meeting held on October 30, 2009. After this capitalization, the interest in such company stands at 98.6%.

As a result of the actions implemented in fiscal year 2009, Tarshop s loan portfolio, net of write-offs and including securitized coupons as of June 30, 2009 stood at Ps.627 million, 33.9% less than the Ps.948 million portfolio held a year earlier.

As regards collections, loans overdue for periods ranging from 90 to 180 days as of June 30, 2009 stood at 6.5% of the portfolio net of write-offs.

Finally, starting in the third quarter of fiscal year 2009, a drop has been noted in losses, compared to those posted for previous periods, which can be explained by the decisions implemented and the improvement in capitalization combined with a relative stabilization in local financial markets, a drop in uncollectibility charges and a decrease in operating expenses.

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The table below contains information about our consumer financing business for the relevant fiscal years:

	Fiscal year ended June 30, 2007	2008	2009
	(in million Ps.)		
Revenues from sales:			
Revenues from services (1)	107,727	168,256	128,023
Interest	65,663	58,479	61,390
Fees to retail stores	38,249	41,516	26,487
Other revenues from services rendered	3,292	6,444	9,770
Income/(loss) on portfolio securitization	4,527	18,371	11,813
Total revenues from sales	**219,458**	**293,066**	**237,483**

(1) These are revenues from: fees on the grant of loans, account maintenance and management, collections procedures, selling expenses and purchases in installments.

Purchase and credit card

Tarshop operates in this business as an issuing and financing company, as a processor of its own card trademark, and as payer to the network of stores accepting the product.

Tarjeta Shopping is accepted in over 40,000 affiliated stores, including the main supermarket, household appliances chains, and shopping centers.

Through Tarjeta Shopping, Tarshop provides a wide variety of benefits, such as exclusive discounts and promotions, financing plans in installments, cash advances in the ATM networks all over the country, balance financing through minimum payments, and it also facilitates balance payments at several collection entities, automatic teller machine networks, internet, direct debits through customers debit cards and certainly at Tarshop s own branch network.

A differentiating element of Tarshop s competitive strategy is its ability to establish the eligibility of customers, and grant them their credit card immediately embossing plastics on the spot, at the branch, which allows the customers to have immediate use of the product.

The main channels for attracting customers are our branch offices, reinforced by booths and points of sale in our shopping centers and retail stores.

Cash loans and consumer financing at stores

Tarshop s loans business operates through two distinct modalities:

- Personal loans granting cash amounts without a fixed use, called Préstamos Tarshop.
- Consumer financing at stores, granting loans to individuals intending to purchase a specific good, for a fixed amount in a store, called Créditos Tarshop.

Cash loans are granted in fixed installments in pesos and the terms offered vary according to market conditions.

Ease of access also applies to payments of installments as they can be channeled through different means, such as collections entities, networks of automatic teller machines, over the Internet, through direct debits from customers bank accounts and through Tarshop s own branch of networks.

Créditos Tarshop are loans granted immediately, upon the customer s submittal of the relevant documents. The store submits this documentation to our processing center where, after the relevant analysis of the documents, we decide whether the credit is granted.

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Créditos Tarshop constitutes a product with major potential: they turn each affiliated store into a small branch with no need for the infrastructure of a store. This modality applies mainly to stores that sell durable and semi-durable products.

Distribution Network

At present, Tarshop has 22 points of sale, including IRSA s shopping centers Alto Avellaneda, Alto Palermo, Abasto and Dot Baires, as well as storefronts in major commercial centers located in the District of Avellaneda, downtown Buenos Aires and in the cities of Lomas de Zamora, Morón, Quilmes, Liniers, Florencio Varela, San Justo, Moreno, Merlo, among others. It also has branches in the Provinces of Córdoba, Tucumán, Salta and San Salvador de Jujuy.

We have promotion booths and account representatives at Supermercados Coto (Coto) in the cities of Lanús, and Temperley and Supermercado Hyper Libertad located in the city of Salta. We have strategic alliances with certain major household appliances and motorcycle stores, where purchases can be made through the Créditos Tarshop system: credit can be granted on the spot with no need for a card for making the first purchase.

Each branch is organized as an independent business unit as regards commercial matters: they handle the resources required for attaining their commercial objectives concerning invoicing and account opening.

Besides, Tarshop has its own structure of cashiers at branches for collection of account statement balances and for the automatic grant of cash loans to customers with facilities and procedures for fund management and transportation similar to those used in banks.

Loan Origination Process

The loan origination process is based on the enforcement of credit policies laid down by the Risk Committee with parameters set up in the system.

Credit assessment is a three-step process: verification and control of documents submitted and data provided by the customer, analysis of credit history in the financial market and credit limit allocation. Such information is validated by various credit bureaus.

As a part of the credit assessment process, there is the involvement of the Fraud Department in the validation of data through the enforcement of prevention policies.

The allocation of a credit limit consists in the assessment of the amount to be granted according to the level of indebtedness, income and risk score within certain parameters. The calculation of income may take into account the income of one or more members of the applicant s family group, who are required to submit evidence of the documents as a guarantee.

For existing customers, Tarshop defines limit extension policies processed by the Credit Department.

Portfolio Analysis and Maintenance

Resorting to statistical techniques and massive information handling tools geared towards mitigating credit risk, Tarshop supervises and monitors the behavior of its customer portfolio and the various economic conditions in the market that may have an adverse bearing customers repayment duties.

Besides, Tarshop deploys strategies consisting in acquisitions, cross-selling and maintenance of its portfolio in connection with its various target segments.

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Collection Process

Tarshop s collection process is carried out according to the strategy defined by its Risk Management group. It is divided into different tranches of default and it starts with preventive actions taken through a system of automatic calls to accounts deemed by Tarshop as prospectively risky.

The internal management process starts through a telephone call by the Collection Group Call Center and relies on telephone management supported by a predictive dialing device, which is simultaneously supplemented by letters and automatic messages.

This process is enhanced as account default moves forward. When internal management is unsuccessful, collection management is referred in a pre-litigation instance to external law firms hired for that purpose.

Upon expiration of the term for external pre-litigation we perform a portfolio analysis and the accounts that may be subject to judicial proceedings are grouped together. Any accounts not fulfilling the requirements to bring legal action are referred to Collection Agents who visit the defaulting customers personally at their home address.

Throughout the process the use of mitigation tools is assessed, ranging from refinancing to payment reduction settlements.

The policies for allowances for bad debts, are similar to those established by the Banco Central de la República Argentina (Central Bank of the Republic of Argentina)[1].

The policies for allowances for bad debts are similar to those established by the Argentine Central Bank of the Republic of Argentina.

Condition	Arrears (days)	%
Regular Compliance	0 to 31	1
Inadequate Compliance	32 to 90	5
Deficient Compliance	91 to 180	25
Difficult Recovery	181 to 365	50
Unrecoverable	Over 365	100

The table below provides information about Tarshop s loan portfolio (including the securitized fraction):

	As of June 30			
	2008 (1)		2009 (1)	
Portfolio Condition				
Regular Compliance (2)	779.3	83.36%	455.2	74.32%
Matured:				
31-89 days	33.2	3.55%	26.4	4.31%
90-180 days	55.5	5.94%	41.9	6.84%
181-365 days	66.9	7.16%	89.0	14.53%
Total	934.9	100.00%	612.5	100.00%
Over 365 days and under legal proceedings (3)	109.7		206.5	
Allowance for bad debts over the regular compliance portfolio as % of delinquent portfolio		46.3%		64.4%
Allowance for bad debts over the regular compliance portfolio as % of regular compliance portfolio		7.7%		16.5%

(1) In million Pesos.
(2) Regular compliance loans, with delinquencies not in excess of 30 days.
(3) Loans covered by a bad debt allowance at 100%.

[1] The allowance for bad debts was estimated based on credit classification performed according to criteria related to debtors obligation default levels, and according to this classification the minimum allowance criteria arising from Communication A 2729 and amendments of the Banco Central de la República Argentina have been applied. Further, the Company verifies whether the allowance raised as explained in the paragraph above is sufficient by assessing the portfolio that exhibits uncollectibility risk and based on its performance.

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Funding

For funding, Tarshop has principally resorted to the issuance of financial trusts subject to public offering, and it has its own Trust Securitization Program under which more than 50 series have been issued.

In the course of this fiscal year, we reinforced Tarshop s financial situation through a capital increase of Ps.60 million and irrevocable contributions for Ps.105.0 million, which improved all of Tarshop s debt ratios and balance sheet indicators. Tarshop s shareholders equity grew from Ps.29.3 million as of June 30, 2008 to Ps.100.2 million as of June 30, 2009.

As of June 30, 2009, Tarshop s own portfolio stood for 40.7% of its total portfolio whereas as of June 30, 2008 it had only stood for 22.2%.

In the course of this fiscal year, Tarshop issued trusts through the public offering system for Ps.586.4 million.

In addition, in the course of this fiscal year, Tarshop entered into a funding agreement with Banco Itaú Argentina S.A. for Ps.50 million for a one-year term; as of June 30, 2009 Tarshop carried bank loans for Ps.34.6 million.

Technology

Tarshop relies on technological applications to support all business processes, from origination to account opening, issue of cards, transaction validation, loan management, customer management, generation and printing of bills, payments to affiliated stores, collections, trust management and delinquency management, to name but a few.

For the past two years, Tarshop has been implementing world-class applications that have proven to be successful all over the world, as is the case of SAP for ERP and of Avaya for comprehensive customer relationship management.

As regards the business core applications, which are maintained in-house, Tarshop deploys a strategy consisting in continuously improving its core applications based on careful supervision of the business key indicators in order to make improvements in those spots where the business needs them most. Examples of this strategy were the integration between Tarshop s core application and the collection procedure application and the telephone communications scheme which resulted in streamlined collections and better customer service. Besides, Tarshop s web-services platform was renewed, which in turn led to automating contacts with customers and affiliated stores as well as improved loan sales at retail stores.

As regards the IT governance methodology, Tarshop is carrying out a process to re-convert the various activities in the area based on the best practices prescribed by ITIL and in compliance with SOX requirements.

Summary Financial and Other Data

The following table sets forth certain balance sheet and other data for Tarshop as of June 30, 2007, 2008 and 2009:

	As of June 30,		
	2007	**2008**	**2009**
	(in million Ps., except percentages)		
Income Statement Data			
Revenues	212.97	291.03	236.83
Costs	(77.42)	(131.86)	(126.68)
Gross profit	135.55	159.17	110.15
Selling expenses	(61.97)	(111.42)	(178.04)
Administrative expenses	(46.23)	(68.55)	(17.03)
Net (loss) income from retained interest in securitized receivables	3.25	(1.26)	(46.01)
Operating income	30.60	(22.06)	(130.93)

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	As of June 30,		
	2007	2008	2009
	(in million Ps., except percentages)		
Financial results, net	0.83	1.22	(0.02)
Other income (expenses), net	3.03	3.81	(0.61)
Income before taxes and minority interest	34.46	(17.03)	(131.56)
Income tax expense	(15.45)	(1.52)	37.49
Net income	19.01	(18.55)	(94.07)
Balance Sheet Data			
Current assets:			
Cash and banks	8.83	11.33	5.31
Investments	35.29	54.12	142.65
Accounts receivable	70.83	56.31	73.61
Other receivables	13.06	36.19	15.69
Inventory	0.0	0.0	0.0
Total current assets	128.01	157.95	237.26
Non-current assets:			
Other receivables	24.31	21.57	73.14
Property, plant and equipment	9.68	12.32	8.65
Investments	55.68	111.10	21.01
Accounts receivable	40.58	7.72	3.78
Intangible Assets net	0.02	0.01	0.00
Total non-current assets	130.27	152.72	106.58
Total assets	258.28	310.67	343.84
Current liabilities:			
Accounts payable	157.62	173.09	104.31
Customer advances	4.40	0.00	0.00
Short-term debt	12.90	61.57	39.65
Related parties	2.47	24.11	54.12
Salaries and social security payable	4.41	5.23	6.14
Taxes payable	21.78	13.52	38.07
Other liabilities	0.72	0.43	1.06
Total current liabilities	204.30	277.95	243.35
Non-current liabilities:			
Accounts payable	0.00	3.24	0.11
Long-term debt	6.13	0.19	0.16
Other liabilities	0.00	0.00	0.00
Total non-current liabilities	6.13	3.44	0.27
Total liabilities	210.43	281.39	243.62
Shareholders equity	47.85	29.29	100.22
Total liabilities and shareholders equity	258.28	310.68	343.84
Other Financial Data			
Return on assets	7.4%	(6.0)%	(27.4)%
Return on shareholders equity	65.9%	(38.8)%	(48.4)%
Net interest margin	64.72%	55.01%	46.51%
Non-performing loans as a percentage of total loans	24.48%	46.31%	50.98%
Reserve for loan losses as a percentage of total loans	15.17%	47.97%	51.17%
Reserve for loan losses as a percentage of non-performing loans	61.98%	103.60%	100.37%

Development and Sale of Properties

The acquisition and development of residential apartment complexes and residential communities for sale is one of our core activities. The development of residential apartment complexes consists of construction of new high-rise towers or the conversion and renovation of existing structures such as factories and warehouses. In connection with our development of residential communities, we frequently acquire vacant land, develop infrastructure such as roads, utilities and common areas, and sell plots of land for construction of single-family homes. We may also develop or sell portions of land for others to develop complementary facilities such as shopping areas within residential developments.

In our fiscal year ended June 30, 2008, revenues from our Development and Sale of Properties segment were Ps.196.8 million, compared to Ps.280.4 million in the fiscal year ended June 30, 2009.

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

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

In the first quarter of fiscal year ended June 30, 2008, in order to strengthen our presence in the development properties segment, IRSA, together with CYRELA, a renowned Brazilian developer, created a venture that operates under the name IRSA-CYRELA (CYRSA) to develop high end residential units in Argentina applying innovative sales and financing policies and based on a new concept in residential units in line with the latest global trends.

CYRSA s first project, which has been developed in a plot made up by two adjacent blocks in the Vicente López neighborhood, was launched in March 2008 under the name Horizons . It is one of the most significant developments in Greater Buenos Aires and it will entail a new concept in residential complexes given its emphasis on the use of common spaces. This project includes two complexes with a total of six buildings; one of them facing the river with three 14-floor buildings (the River complex) and the other on Avenida del Libertador with three 17-floor buildings (the Park complex), totaling 59,000 sqm of constructed surface area for sale distributed in 467 units (to the exclusion of the units to be delivered in exchange for the acquisition of land). With its unique and innovating style in residential complexes, Horizons has 32 amenities, including a meeting room; a work zone; indoor swimming pools; club house and spa, sauna, gym, children room, teen room; theme-park areas; and an aerobic trail to name but a few. The showroom was opened to the public in March 2008 with immediate success. As of the date of these financial statements, preliminary sales agreements had been executed for 99% of our own units on sale, and the results will be reflected as the works make progress, consolidated at 50%.

As of June 30, 2009, the degree of progress shown by the works is about 30%. The project is scheduled to be completed in 2011.

Acquisition of companies in the Oriental Republic of Uruguay

During the fiscal year 2009, IRSA acquired a 100% interest in Liveck S.A., a shell company incorporated under the laws of Uruguay for de minimums consideration. In June 2009, Liveck acquired 90% of the equity interest in Vista al Muelle S.A. and Zetol S.A., two real estate Uruguayan companies for US$ 6.6 million. These companies own undeveloped parcels of land in Canelones, Uruguay.

Out of the US$ 6.6 million, US$ 2.1 million were paid in cash while the balance, US$ 4.5 million, is payable in two ways, at the option of the seller part: the first one consist on five equal annual installments of US$ 0.9 million each plus interest at 3.5% per annum on any outstanding balance. The second way consists on the grant of 12% of the developed square meters. Under the agreement, IRSA granted the sellers an option to settle the outstanding balance in the form of 12% of the future meters constructed. Ritelco, a wholly-owned subsidiary of IRSA, and Cyrela guaranteed the US$ 4.5 million of outstanding balance, interest and option to the sellers through a surety bond, if Liveck does not pay. The plots of land bought are mortgaged, this means that the sellers have double guarantee. On June 30, 2009, IRSA sold 50% of Liveck to Cyrela Brazil Realty S.A. for US$ 1.3 million.

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The following table shows certain information and gives an overview regarding our sales and development properties as of June 30, 2009, 2008 and 2007:

Sales and Development Properties

DEVELOPMENT	Date of Acquisition	Estimated / Real Cost (Ps. 000) (1)	Area intended for sale (sqm) (2)	Total Units or Lots (3)	IRSA s Effective Interest	Percentage Built	Percentage Sold (4)	Accumulated Sales (Ps. 000) (5)	Accumulated Sales in (Ps. 000) as of June 30 of fiscal year (6) 2009	2008	2007	Book value $/000 (7)
Homes												
Renoir towers (15)	09/09/99	22,861	5,383	28	100.00%	100.00%	99.54%	53,798	53,798			54
Credit on Rosario lot swap (8) (17)	04/30/99		4,692	80	63.34%	66.00%	0.00%					11,023
Caballito lots (16)	11/03/97	42,388	9,784	1	50.00%	0.00%	0.00%					4,429
Credit on Caballito lot swap (Cyrsa) (15)	11/03/97		7,451		100.00%	0.00%	0.00%					21,194
Credit on Caballito lot swap (KOAD) (15)	11/03/97		6,833	118	100.00%	87.00%	31.77%					27,623
Libertador 1703 and 1755 (Horizons) (16)	01/16/07	396,565	59,000	467	50.00%	30.00%	99.00%					106,391
Other homes (10)	N/A	231,677	116,513	1,437				366,558	3,483	61,133	17,330	2,773
Subtotal homes		**693,491**	**209,656**	**2,131**				**420,356**	**57,281**	**61,133**	**17,330**	**173,487**
Residential communities												
Abril/Baldovinos (11)	01/03/95	130,955	1,408,905	1273	100.00%	100.00%	98.91%	231,995	9,904	4,030	1,124	3,674
Credit on Benavidez lot swap (15)	11/18/97		125,889	110	100.00%	97.00%	0.00%	11,830				9,995
Villa Celina I, II y III	05/26/92	4,742	75,970	219	100.00%	100.00%	100.00%	14,028	76			
Subtotal residential communities		**135,697**	**1,610,764**	**1,602**				**257,853**	**9,980**	**4,030**	**1,124**	**13,669**
Land reserves												
Puerto Retiro (9)	05/18/97		82,051		50.00%	0.00%	0.00%					54,380
Santa María del Plata	07/10/97		352,403		90.00%	0.00%	10.00%	31,000			31,000	139,748
Pereiraola (11)	12/16/96		1,299,630		100.00%	0.00%	0.00%					21,717
Alcorta lots (8)	07/07/98		1,925		63.34%	0.00%	100.00%	22,969				
Rosario lot (8)	04/30/99		31,000		63.34%	0.00%	19.85%	11,072	7,644	3,428		15,577
Caballito block 35	11/03/97		9,784		100.00%	0.00%	100.00%	19,152		19,152		
Canteras Natal Crespo	07/27/05		4,300,000		50.00%	0.00%	0.00%	252	29	57	91	5,705
Berutti lot (8)	06/24/08		3,207		63.34%	0.00%	0.00%					52,715
Pilar	05/29/97		740,237		100.00%	0.00%	0.00%					3,408
Air space over Coto (8)	09/24/97		21,406		63.34%	0.00%	0.00%					13,188
Torres Jardín IV	07/18/96		3,169		100.00%	0.00%	0.00%					3,030
Caballito lot (8)	11/03/97		25,539		63.34%	0.00%	0.00%					36,741
Patio Olmos (8)	09/25/07		5,147		100.00%	100.00%	0.00%					32,949
Other land reserves (12)	N/A		14,476,115					1,041	1,041			25,620
			21,351,613					**85,486**	**8,714**	**22,637**	**31,091**	**404,778**

Subtotal land reserves												
<u>Other</u>												
Dique III	09/09/99		10,474	N/A	100.00%	0.00%	100.00%	91,638			26,206	
Bouchard 551	03/15/07		9,946	N/A	100.00%	100.00%	100.00%	108,423		108,423		
Madero 1020	12/21/95		5,056	N/A	100.00%	100.00%	100.00%	18,777	1,830	476		
Della Paolera 265	08/27/07		472	N/A	100.00%	100.00%	100.00%	6,850	6,850			
Madero 942	08/31/94		768	N/A	100.00%	100.00%	100.00%	6,137	6,137			
Dock del Plata	11/15/06		3,957	N/A	100.00%	100.00%	100.00%	42,070	42,070			
Libertador 498	12/20/95		3,099	N/A	100.00%	100.00%	100.00%	36,350	36,350			
Laminar	03/25/99		6,521	N/A	100.00%	100.00%	100.00%	74,510	74,510			
Reconquista 823	11/12/93		5,016	N/A	100.00%	100.00%	100.00%	31,535	31,535			
Crucero I retail stores	N/A		192	N/A	100.00%	100.00%	100.00%	2,006	2,006			
Other (13)	N/A		7,017	N/A	100.00%	100.00%	99.22%	24,567	3,099	112		
Subtotal Other			**52,518**					**442,863**	**204,387**	**109,011**	**26,206**	
TOTAL (14)		**829,188**	**23,224,551**	**3,733**				**1,206,558**	**280,362**	**196,811**	**75,751**	**591,934**

Notes:

(1) Cost of acquisition plus total investment made and/or planned for dwelling units and residential communities projects either completed or in progress (adjusted for inflation as of 02/28/03, if applicable).

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(2) Total area devoted to sales upon completion of the development or acquisition and before the sale of any of the units (including parking and storage spaces though not including common areas). In the case of Land Reserves the land area was considered.
(3) Represents the total units or plots upon completion of the development or acquisition (excluding parking and storage spaces).
(4) The percentage sold is calculated dividing the square meters sold by the total saleable square meters, including sales transactions instrumented by preliminary sales agreements for which no title deed has been executed yet.
(5) Includes only the cumulative sales consolidated by the RT21 method adjusted for inflation until 02/28/03.
(6) Corresponds to the company s total sales consolidated by the RT4 method adjusted for inflation until 02/28/03.
(7) Cost of acquisition plus improvements, plus activated interest of properties consolidated in portfolio at June 30, 2009, adjusted for inflation as of 02/28/03.
(8) Through Alto Palermo S.A.
(9) Through Inversora Bolívar S.A.
(10) Includes the following properties: Torres de Abasto through APSA, Torres Jardín, Edificios Cruceros, San Martin de Tours, Rivadavia 2768, Alto Palermo Park, swap over Torre Renoir II tower, Minetti D, Dorrego 1916 and Padilla 902.
(11) Directly through IRSA and indirectly through Inversora Bolívar S.A. Includes sale of Abril shares.
(12) Includes the following land reserves: Pontevedra lot, Isla Sirgadero, San Luis lot, Mariano Acosta, Merlo and Intercontinental Plaza II through IRSA, Zetol and Vista al Muelle through Liveck and C. Gardel 3134, C. Gardel 3128, Agüero 596 (totally sold), Zelaya 3102, Conil and others APSA (through APSA).
(13) Includes the following properties: Puerto Madero Dique XIII. It also includes income from termination (through IRSA and IBSA) and income from expenses recovered in connection with common maintenance fees, stamp tax and associated professional fees.
(14) Corresponds to the Development and sale of properties business unit mentioned in Note 6 to the Consolidated Financial Statements.
(15) Corresponds to swap receivables disclosed as Inventories in the Consolidated Financial Statements.
(16) Owed by CYRSA S.A.
(17) Corresponds to amounts receivable on swaps disclosed as Inventories in the Consolidated Financial Statements for parcels g and h . The degree of physical progress with parcel g at 06/30/09 is 66% and with parcel h is 3%

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Residential Apartments and Lofts

In the apartment building market, we acquire undeveloped properties strategically located in densely populated areas of the City of Buenos Aires, particularly properties located next to shopping centers and hypermarkets or those to be constructed. Then we develop multi-building high-rise complexes targeting the middle-income market. These developments are equipped with modern comforts and services, such as open green areas, swimming pools, sports and recreation facilities and 24-hour security. In the loft buildings market, our strategy is to acquire old buildings no longer in use located in areas with a significant middle and upper-income population. The properties are then renovated into unfinished lofts allowing buyers the opportunity to design and decorate them according to their preferences.

Residential Communities

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

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

As of June 30, 2009, IRSA s residential communities for the construction of single-family homes for sale in Argentina had a total of 53,628 square meters of saleable area in Abril, and 125,889 sqm of saleable area in Benavidez. Both residential communities are located in the province of Buenos Aires.

Abril, Hudson, Greater Buenos Aires. Abril is a 312-hectare private residential community located near Hudson City, approximately 34 kilometers south of the City of Buenos Aires. IRSA has developed this property into a private residential community for the construction of single family homes targeting the upper-middle income market. The project includes 20 neighborhoods subdivided into 1,273 lots of approximately 1,107 square meters each. Abril also includes an 18-hole golf course, 130 hectares of woodlands, a 4,000-square meter mansion and entertainment facilities. A bilingual school, horse stables and sports centers and the construction of the shopping center were concluded in 1999. The neighborhoods have been completed, and as of June 30, 2009, 98.91% of the property had been sold for an aggregate of Ps.231.9 million, with 20,009 square meters available for sale.

El Encuentro, Benavidez, Tigre. In the district of Benavidez, Municipality of Tigre, 35 kilometers north from downtown Buenos Aires, IRSA is developing a 99.8-hectare gated residential complex known as El Encuentro , which will have a privileged front access to Highway No. 9, allowing an easy way to and from the city. On May 21, 2004 an exchange deed was signed whereby DEESA agreed to pay US$3.98 million to Inversora Bolívar, of which US$0.98 million were paid and the balance of US$3.0 million will be paid through the exchange of 110 residential plots already chosen and identified in the option contract signed on December 3, 2003. Furthermore, through the same act, DEESA set up a first mortgage in favor of Inversora Bolívar on the real property amounting to US$3.0 million as security for

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compliance with the operation and delivered US$0.5 million to Inversora Bolívar as security for the performance of the obligations undertaken. As of June 30, 2009, the neighborhood was equipped with all the utilities: power supply, water, sewage, effluent treatment plant, public lighting, finished driveways and accesses, buildings, sports facilities, etc. The works pertaining to the railway tunnel and the Bancalari/Benavidez road have been completed. The degree of progress in these works is 99%.

Land Reserves

IRSA has acquired large undeveloped properties as land reserves located in strategic areas for the future development of office and apartment buildings, shopping centers and single family housing. IRSA has acquired what IRSA believes to be two of the largest and most important undeveloped river front plots in Buenos Aires, Puerto Retiro and Santa María del Plata, for the future development of residential and office spaces. In addition, IRSA has benefited from the improvement of land values during periods of economic growth, As of June 30, 2009, IRSA s land reserves totaled 27 properties consisting of approximately 2,135 hectares (including Rosario, Beruti Lot, Caballito, and Coto air space owned by APSA).

Land Reserves in the City of Buenos Aires

Solares de Santa María, City of Buenos Aires, (formerly Santa María del Plata). Solares de Santa María is a 70-hectare property facing the Río de la Plata in the south of Puerto Madero, 10 minutes from downtown Buenos Aires. This is an urbanization project developed through IRSA s subsidiary Solares de Santa María S.A. (Solares de Santa María). This project has a residential profile and mixed uses, and it is currently expected to have residential complexes as well as offices, stores, hotels, sports and sailing clubs, services areas with schools, supermarkets and parking lots.

As part of the project, IRSA sold 10% of Solares de Santa María capital stock for US$10.6 million to Mr. Israel Sutton Dabbah, who is part of the Sutton Group an unrelated party. An initial payment of US$1.6 million was made and the balance of US$9.0 million is payable on June 23, 2010. In order to secure his obligations under the share purchase agreement, the buyer created a pledge on certain assets owned by it.

Background

A rule passed by the Legislative Branch of the City of Buenos Aires in 1992 (Ordinance 45,665/92), provided general urban standards to the site, and stated that the Site urban design was to be submitted for approval of the Environmental Urban Plan Council (Consejo de Planificación Urbana - COPUA). In 1997 we acquired the site which the National Executive Branch had assigned to be the athlete residence of the Olympic Games (Olympic Village) in case Buenos Aires was chosen as host city to hold the Olympic Games (former Boca Juniors Football Club sports town). From that date onwards, we have sought proceedings for the approval of a mixed-use development project to be built on the site before the governmental authorities of the City of Buenos Aires.

Evolution of Approval Instances

In 2000, IRSA filed a master plan for the Santa María del Plata site, which was assessed by COPUA and submitted to the City Treasurer s Office, which would take part in the entire proceeding to finally approve the project.

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In 2002, by Decree 405/02, the Government called for a public hearing to be held in June 2002, which was attended by professional and private entities and assessed by all competent agencies.

In July 2006, the COPUA made its recommendations about the project. On December 13, 2006, IRSA filed an amendment to the project to adjust it to the recommendations made by COPUA that included the following:

The project met the Guidelines of the Environmental Urban Plan.

The project was included in the proposals for the strategic development of the City s Southern Area.

A pedestrian lane was designed along the perimeter of the entire site on the Río de la Plata bank.

Integration with the city was prioritized respecting the surrounding urban landscape, designing a waterfront along the Río de la Plata bank and providing vehicular integration with the avenues surrounding the site.

Donation of 50% of the site to the Government of the City of Buenos Aires was proposed for Public Use and Convenience, which is the maximum amount set forth in the Planning Code.

The specific ruling within the scope of Ordinance Nº 45,665/92, Law 23,738/89 and Decree 5783/92 was proposed.

On March 29, 2007, COPUAM (Advisory Body of Government composed of Advisors from the Legislative and Executive Branches) in whole session passed the 145-COPUAM-07 REPORT which stated that it had no objections to the company s proposal and requested that the General Attorney render a decision concerning the ruling proposed.

In May 2007, the Traffic Bureau took part at the request of the Treasury and requested a new traffic study for the area. This new study was carried out and the traffic simulation report was discussed with the authorities.

Prior to its execution, the Decree was approved by the Minister of Planning and Public Works, the Traffic and Transport Bureau, the General Attorney and the General Technical Administrative and Legal Bureau of the Ministry of Planning and Public Works. On November 9, 2007, 11 years after the dossier was opened and 15 years after the general ruling on the site was issued by the City Council, the Government chief of the City of Buenos Aires executed Decree No. 1584/07, which passed the specific ruling. On December 1, 2007 Decree No. 1584 was published in the City Official Gazette No. 2815. The assignment of space for public use and convenience is the maximum provided for in the Planning Code: 50% of the site will be donated for public use (357,975 sqm) in which a common recreational area, roads, and pedestrian lanes will be constructed.

Notwithstanding the above, several operational and implementation issues remain to be approved by different authorities in charge of the urban affairs of the City of Buenos Aires. Without prejudice to the foregoing, the Decree has been judicially objected as regards formal and procedural aspects, but the authorities have not rendered a decision on this matter yet. In that sense, a legislative bill as well as a proposed agreement will be sent to the legislature for approval shortly. Once approved, these regulations will have the hierarchy of a law.

IRSA s internal team completed the Urban Development project draft for Solares de Santa María. Feasibility studies have been filed with the service companies and IRSA has held multiple informative meetings with several governmental agencies aimed at defining the development of the draft project.

Puerto Retiro. Puerto Retiro is an 8.3 hectare undeveloped riverside property bounded by the Catalinas and Puerto Madero office zones to the west, the Retiro railway station to the north and the Río de la Plata to the south and east. One of the only two significant privately owned waterfront properties in the City of Buenos Aires, Puerto Retiro may currently be utilized only for port activities, so we have initiated negotiations with municipal authorities in order to rezone the area. IRSA s plan is to develop a 360,000 square meter financial center. The launching date has not been settled and consequently, the estimated cost and financing method are not decided. IRSA owns a 50% interest in Puerto Retiro.

Caballito plot of land, Ferro Project. This is a property of approximately 25,539 square meters in the City of Buenos Aires, neighborhood of Caballito, one of the most densely populated of the city, which APSA purchased in November 1997. This plot would allow developing a shopping center having 30,000 square meters, a hypermarket, a cinema complex, and several recreation and entertainment activity areas. IRSA is currently working to define the commercial project. At present, the legislature of the City of Buenos Aires has received a legislative bill to approve the zoning parameters corresponding to this property.

Beruti plot of land. On June 27, 2008 APSA acquired a plot of land situated at Beruti 3351/3359, between Bulnes and Avenida Coronel Díaz in Palermo, a neighborhood in the City of Buenos Aires quite close to the Shopping Center known as Shopping Alto Palermo . The transaction involved a surface area of 3,207 square meters for a price of US$ 17.8 million. This has been a significant acquisition because of the strategic location of the property, in the immediate vicinity of APSA s main shopping center.

Caballito Plot of Land, CYRSA. During fiscal 2008, IRSA and CYRSA executed a barter deed pursuant to which it transferred to CYRSA under a swap agreement the property detailed in the deed as described below, which has a total surface area of 9,784 square meters: plot of land, designated as Parcel ONE L, in block 35, facing Méndez de Andes street between Rojas and Colpayo streets in the Caballito neighborhood.

In turn, CYRSA agreed to carry out in the property a real estate development for residential use, which shall comprise a first stage of two towers and a third building to be developed in a second stage at the option of CYRSA. In exchange for the transfer of the property, CYRSA paid to IRSA US$ 0.1million and agreed to tender certain non-cash considerations such as transferring under barter to IRSA certain home units in the buildings to be built which will represent 25% of the meters. Furthermore, as security for the performance of its obligations, CYRSA has created a security interest over the property by mortgaging it in favor of IRSA.

Coto Residential Project. IRSA is the owners (through its subsidiary APSA) of an air space of about 24,000 sqm above the Coto hypermarket that is close to Abasto Shopping Center in the heart of the City of Buenos Aires. APSA and Coto executed and delivered a deed dated September 24, 1997 whereby APSA acquired the rights to receive parking units and the rights to build on top of the premises located in the block formed by the streets Agüero, Lavalle, Guardia Vieja and Gallo, in the Abasto neighborhood. As an event subsequent to the close of the fiscal year ended June 30, 2008, a conditional barter agreement was executed, pursuant to which we would transfer to CYRSA 112 parking units and the rights to erect on top of the hypermarket two building towers in so far as a number of conditions are met. In exchange, CYRSA would deliver to APSA an as of yet undefined number of units in the building to be erected equivalent to 25% of the square meters that as a whole do not represent a total less than four thousand and fifty-three square meters, with fifty square centimeters of own square meters to be built on the whole. Additionally, in the event there were any, CYRSA would deliver to APSA a number of storage spaces equivalent to 25% of the storage spaces in the building to be erected. In addition, in the event of meeting the conditions precedent applicable to the transaction, CYRSA would pay to APSA US$ 0,089 million and would proceed with the works in the parking lots that APSA would receive from Coto. This payment would be made within 30 running days as from the execution of the barter deed. For this barter to be consummated, the conditions precedent require Coto, the current owner of the real estate mentioned above that currently hosts a hypermarket, retail stores and parking spaces, to provide certain essential services. Possession over the real estate shall be conveyed upon executing the title deed, scheduled to take place within 30 days counted as from the date on which we notify CYRSA of compliance with the conditions precedent. The transaction between CYRSA and APSA totals US$ 5.9 million.

Land Reserves in the Province of Buenos Aires

Pereiraola, Hudson. IRSA owns a 100.0% interest in Pereiraola S.A., a company whose principal asset is a 130-hectare undeveloped property adjacent to Abril, a private residential community developed by IRSA. IRSA intends to use this property to develop a private residential community for the construction of single family homes targeted at the middle-income market. IRSA has not yet established the costs and financing method for this proposed project, but IRSA has already obtained the necessary municipal permits. The plot s book value is estimated to be Ps.21.7 million as of June 30, 2009.

Pilar. Pilar is a 74-hectare undeveloped land reserve property located close to the city of Pilar, 55 kilometers northwest of downtown Buenos Aires. The property is easily accessible due to its proximity to the Autopista del Norte highway. Pilar has become one of Argentina s fastest developing areas. IRSA is considering several alternatives for this property including the development of a residential community or the sale of this property in its current state and, therefore, we do not have a cost estimate or financing plan. The plot s book value is estimated to be Ps.3.4 million as of June 30, 2009.

Land Reserves in Other Provinces

Neuquén Project, Province of Neuquén. APSA s subsidiary, Shopping Neuquén S.A. s (Shopping Neuquén) sole asset is a 50,000 square meter undeveloped parcel of land located in Neuquén, Argentina, where IRSA intends to develop a commercial project including the construction of a shopping center, a hypermarket and other developments.

On December 13, 2006, Shopping Neuquén entered into an agreement with the Municipality of Neuquén and with the Province of Neuquén by which, mainly, the terms to carry out the commercial and residential venture were rescheduled and authorized Shopping Neuquén to transfer to third parties the title to the plots of land into which the property is divided, provided that it is not the plot of land on which the shopping center will be built. Such Agreement was subject to two conditions; both already complied with, (i) the ratification of the agreement by means of an ordinance of the legislative body of the Municipality of Neuquén, and (ii) the approval by the Municipality of Neuquén of the new project and the extension of the environmental impact study.

The Agreement effectively closed the administrative case brought against Shopping Neuquén by the Municipality of Neuquén. The only item pending is the determination of legal counsel fees to be borne by Shopping Neuquén. These fees were provided for and included under provisions.

According to the terms of the Agreement, Shopping Neuquén submitted the corresponding project plans within the required timeframe of 150 days from approval due February 17, 2008. The plans were observed by the Municipality. Shopping Neuquén requested an extension to the term to submit a revised plan.

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On June 12, 2009, Shopping Neuquén and the Municipality of Neuquén agreed on a revised project to consider certain road access plans and modify general terms as necessary (the New Agreement). The revised plan was to be submitted within 90 days from the signing date of the New Agreement. Upon submission, the Municipality would have 30 days for comment. Works would have to commence within 90 days as from the registration date of the new plan. The construction of the shopping center and the hypermarket will have to be completed within 22 months as from commencement of the works. The Municipality has the right to revoke the New Agreement and initiate actions in case of breach of contract by Shopping Neuquén.

On June 18, 2009, Shopping Neuquén sold a 4,332 square meter plot of land located in the vicinity of the land where the shopping center will be constructed. The purchaser was an unrelated third party, and the sale price amounted to US$ 0.1 million.

Ex Escuela Gobernador Vicente de Olmos, Córdoba, Province of Córdoba. On December 27, 2006, APSA acquired 100% interest in the Cordoba Shopping Villa Cabrera located in Cordoba, Argentina, owned by Empalme. The property, which is located in the Villa Cabrera neighbourhood of the City of Cordoba, is a 35,000 square meter shopping center comprising 106 stores, a 12 movie theatre complex and a 1,500-vehicle parking lot.

The interest was acquired for US$ 13.3 million. We paid US$ 5.3 million in cash and financed the remaining portion of the purchase price in four equal installments of US$ 2 million each due every six months as from June 2007. This financing accrued interest at a fixed rate of 6% per annum. The unpaid balance was collateralized by a pledge on the shares of Empalme in favor of the sellers. Governmental approval was obtained in December 2006. In December 2008, the fourth and last installment was paid and the encumbrance was lifted.

APSA s purchase of Empalme has been accounted for following the guidance in Technical Resolution No. 18 (RT No. 18). As from January 1st, 2009, Empalme merged into SAPSA.

Canteras Natal Crespo, Province of Córdoba. The initial guidelines for development of this project are in process on the basis of the master plan of the Chilean architect firm URBE. Preliminary presentations have been submitted to the Municipality of La Calera and to the Provincial Government of Córdoba.

This undertaking is characterized by an attractive and varied residential offer of land, dwelling areas of low and medium density, and commercial and social areas. Each one of the quarters will have a full service infra-structure and will be distinguished by the particularities of the land in the outstanding natural environment of the Sierras Chicas of the Province of Córdoba.

Canteras Natal Crespo is a company located in the Province of Córdoba that will have as main activity the urbanization of plots of land owned by itself and third parties the so-called countries, lots for sale or rent, production of quarries, real estate business and construction of houses.

Other Land Reserves

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

Office and Other Non-shopping Center Rental Properties

Overview

Through IRSA, we are engaged in the acquisition, development and management of Offices and other non-shopping center rental properties in Argentina. As of June 30, 2009, we directly and indirectly owned interests in 24 office and other rental properties in Argentina which comprised 252,950 square meters of gross leaseable area. Of these properties, 17 were office properties which comprised 156,000 square meters of gross leaseable area. For fiscal year 2009, we had revenue from Offices and other non-shopping center rental properties of Ps.147.7 million.

All of our office rental properties in Argentina are located in the City of Buenos Aires. For the year ended June 30, 2009 the average occupancy rate for all our properties in the Offices and other non-shopping center rental properties segment was approximately 94.0%. Eight different tenants accounted for approximately 38.0% of the total revenues from office rentals for fiscal year 2009: Exxon Mobile Business, Price Waterhouse, Unilever Argentina, Grupo Total Austral, Apache Energía Argentina, Microsoft de Argentina S.A., Sibille S.C. (KPMG), and Grupo Danone Argentina.

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

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

Properties. The following table sets forth certain information regarding IRSA s direct and indirect ownership interest in offices and other non-shopping center rental properties.

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Offices and other non-shopping center rental properties

	Date of Acquisition	Leasable Area Sqm (1)	Occupancy rate (2)	Effective Interest	Monthly rental income Ps./000 (3)	Accumulated Annual Rental Income for the fiscal periods (in Ps./000) (4)			Book value Ps./000 (5)
						2009	**2008**	**2007**	
Edificio República	04/28/08	19,884	64%	100%	1,686	17,114	203		224,478
Torre Bankboston (6)	08/27/07	15,891	100%	100%	1,522	19,670	15,688		157,894
Bouchard 551	03/15/07	23,378	96%	100%	1,803	20,342	12,678	3,925	152,898
Intercontinental Plaza (7)	11/18/97	22,535	100%	100%	1,994	18,372	12,496	10,977	86,517
Dique IV, Juana Manso 295 (8)	12/02/97	11,298	89%	100%	1,151	1,743			66,984
Bouchard 710	06/01/05	15,014	100%	100%	1,628	17,379	12,931	8,900	66,283
Maipú 1300	09/28/95	10,280	100%	100%	998	9,890	8,107	6,006	39,670
Libertador 498 (9)	12/20/95	7,433	100%	100%	748	9,285	8,551	6,307	27,199
Costeros Dique IV	08/29/01	5,437	90%	100%	449	5,056	4,603	1,987	19,699
Edificios Costeros	03/20/97	6,389	59%	100%	303	4,082	3,896	3,124	17,373
Dock Del Plata (10)	11/15/06	3,985	80%	100%	320	6,083	6,945	3,103	12,691
Suipacha 652/64	11/22/91	11,453	100%	100%	531	3,820	2,480	1,398	11,388
Madero 1020 (11)	12/21/95	114	100%	100%	2	32	89	97	269
Laminar Plaza (12)	03/25/99		N/A	100%		5,327	5,607	4,631	
Reconquista 823/41 (12)	11/12/93		N/A	100%		2,087	2,256	1,139	
Offices - other (13)	N/A	2,909	89%	N/A	89	1,189	1,385	1,289	7,954
Subtotal Offices		**156,000**	**91%**	**N/A**	**13,224**	**141,471**	**97,915**	**52,883**	**891,297**
Other Properties									
Commercial Properties (14)	N/A	312		N/A		209	188	242	3,626
Museo Renault	12/06/07	1,275	100%	100%	30	356	204		4,877
Santa María del Plata	07/10/97	60,100	100%	90%	84	959	958	1,043	12,496
Thames (7)	11/01/97	33,191	100%	100%	51	607	607	607	3,899
Other properties (15)	N/A	2,072	100%	N/A	6	2,207	220	168	5,721
Subtotal Other Properties		**96,950**	**100%**	**N/A**	**171**	**4,338**	**2 ,177**	**2,060**	**30,619**
Related fees (16)		**N/A**	**N/A**	**N/A**		**1,940**	**2,067**	**2,150**	**N/A**
TOTAL OFFICES AND OTHER (17)		**252,950**	**94%**	**N/A**	**13,395**	**147,749**	**102,159**	**57,093**	**921,916**

Notes:

(1) Total leaseable area for each property as of 06/30/09. Excludes common areas and parking.
(2) Calculated dividing occupied square meters by leaseable area as of 06/30/09.
(3) Agreements in force as of 06/30/09 for each property were computed.
(4) Total consolidated leases, according to the RT21 method.
(5) Cost of acquisition, plus improvements, less accumulated depreciation, plus adjustment for inflation, less allowance for impairment.
(6) 472 leasable square meters were sold in December 2008.
(7) Through Inversora Bolivar S.A.
(8) The building was occupied on May 15, 2009.
(9) In the period January through March 2009, the square meters sold amounted to 3,099.
(10) In the period December 2008 through April 2009, 3,937 leasable square meters were sold.
(11) In the period February through April 2009 26 parking spaces were sold.
(12) The property was completely sold in April 2009.
(13) Includes the following properties: Madero 942 (fully sold as of June 30,2009), Av. de Mayo 595, Av. Libertador 602, Rivadavia 2774, and Sarmiento 517.

(14) Includes the following properties: Constitución 1111, Crucero I (fully sold); Retail stores in Abril (wholly assigned) and Casona in Abril.
(15) Includes the following properties: one unit in Alto Palermo Park (through IBSA), Constitución 1159 and Torre Renoir I and others.
(16) Income from building management fees.
(17) Corresponds to the Offices and Other Rental Properties business unit mentioned in Note 4 to the consolidated financial statements.

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The following table shows a schedule of the lease expirations of our office and other properties for leases outstanding as of June 30, 2009, assuming that none of the tenants exercise renewal options or terminate their lease early. Most tenants have renewal clauses in their leases.

Fiscal year of lease expiration	Number of leases expiring (1)	Square meters subject to expiring leases (2) (m2)	Percentage of total square meters subject to expiration (%)	Annual rental income under expiring leases (Ps.)	Percentage of total rental income under expiring leases (%)
2010	55	61,995	61%	52,856,655	33%
2011	51	52,510	22%	51,100,596	32%
2012	42	37,159	16%	51,857,814	32%
2013+	4	3,155	1%	4,005,146	3%
Total	**152**	**154,819**	**100%**	**159,820,211**	**100%**

Includes Offices which contract has not been renewed as of June 30, 2009.

Does not include vacant leased square meters.

Does not include square meters or revenues from parking spaces.

The following table shows our offices occupancy percentage during fiscal years ended June 30, 2009, 2008 and 2007:

	Occupancy Percentage Fiscal year ended June 30,(1) 2009 (%)	2008 (%)	2007 (%)
Offices			
Intercontinental Plaza	100	100	100
Bouchard 710	100	100	100
Bouchard 551	96	100	100
Dock del Plata	80	100	100
Libertador 498	100	100	100
Maipu 1300	100	100	100
Laminar Plaza (3)	N/A	100	100
Madero 1020	100	100	100
Reconquista 823/41 (3)	N/A	100	100
Suipacha 652/64	100	100	100
Edificios Costeros	59	89	96
Costeros Dique IV	90	100	96
Torre Bankboston	100	100	N/A
República	64	19	N/A
Dique IV, Juana Manso 295	89	N/A	N/A
Other (2)	89	100	100

(1) Leased square meters in accordance with lease agreements in effect as of June 30, 2009, 2008 and 2007 considering the total leaseable office area for each year.
(2) Includes the following properties: Madero 942 (sold in October 2008) , Av. de Mayo 595, Av. Libertador 602, Sarmiento 517 and Rivadavia 2768.
(3) This property was fully sold in April 2009.

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The following table sets forth the annual average income per square meter for our offices during fiscal years ended June 30, 2009, 2008 and 2007:

	Annual Average Income per Square Meter Fiscal Year Ended June 30, (1)		
	2009 (Ps/m2)	2008 (Ps/m2)	2007 (Ps/m2)
Office			
Intercontinental Plaza	717	555	487
Bouchard 710	1,158	861	623
Bouchard 551 (2)	870	458	118
Dock del Plata (3)	908	877	392
Libertador 498 (4)	1,005	812	634
Maipu 1300	962	789	597
Laminar Plaza (5)	817	860	710
Madero 1020	281	414	450
Suipacha 652/64	416	217	123
Reconquista 823/41 (5)	334	450	236
Edificios Costeros	639	610	504
Costeros Dock IV	930	847	387
Torre Bankboston (6)	1,238	992	N/A
República	861	55	N/A
Dique IV, Juana Manso 295 (7)	154	N/A	N/A
Other (8)	326	448	429

(1) Calculated considering annual leases to total leaseable office area, in accordance with our percentage of ownership in each building.
(2) Lease agreement beginning in the third quarter of fiscal year ended June 30, 2007, consequently income is for only three months of that fiscal year. In the third quarter of fiscal year 2008, 9,946 sqm were sold.
(3) 3,937 leasable square meters were sold in the period December 2008 through April 2009.
(4) 3,099 leasable square meters were sold in the period January through March 2009.
(5) The property was fully sold in April 2009.
(6) The property was acquired on 08/27/07, consequently income is for only ten months of fiscal year ended June 30, 2008.
(7) The property was acquired on 04/28/08 and construction works were in progress, consequently income is for only 1 month of the fiscal year ended June 30, 2008.
(8) Includes the following properties: Madero 942 (sold in October 2008), Av. de Mayo 595, Av. Libertador 602, Sarmiento 517 and Rivadavia 2768.

Properties

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

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

Torre BankBoston. The Bank Boston tower is a modern office building in Carlos Maria Della Paolera 265 in the City of Buenos Aires. Having been designed by the renowned architect Cesar Pelli, it has 31,670 square meters in gross leasable area. IRSA has a 50% ownership interest in the building. At present, our main tenants are Standard Bank, BankBoston N.A. Suc. Bs. As., Exxon Mobile, Kimberly Clark de Argentina and Hope, Duggan & Silva S.C.

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Bouchard 551, City of Buenos Aires. Bouchard 551, known as *Edificio La Nación* , is an office building that IRSA acquired in March 2007, located in the Plaza Roma area. The building is a 23-story tower covering a surface area of 2,900 square meters in the low floors that becomes smaller as it goes higher up to 900 square meters approximately, and parking for 177 units. IRSA has approximately 23,000 leasable square meters in the buildingand the main tenants include La Nación S.A., Price Waterhouse & Co., AS. EM. S.R.L, Maersk Argentina S.A and Regus Business Centre S.A.

***Intercontinental Plaza, City of Buenos Aires*.** Intercontinental Plaza is a modern 24-story building located next to the Intercontinental Hotel in the historic neighborhood of Monserrat in downtown City of Buenos Aires. IRSA owns the entire building which has floors averaging 900 square meters with 324 parking spaces. The principal tenants currently include Total Austral S.A., Danone Argentina S.A., IRSA, APSA and Cognizant Technology Solutions de Arg. S.A.

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

***Bouchard 710, City of Buenos Aires*.** Bouchard 710 is an office building acquired in June 2005, located in the Plaza Roma district. The building is a 12-story tower, with an average area per floor of 1,251 square meters, with 180 units for car parking. Tenants are Unilever de Argentina S.A., Sibille S.C. (KPMG), and Microsoft de Argentina S.A.

***Maipú 1300, City of Buenos Aires*.** Maipú 1300 is a 23-story office tower opposite Plaza San Martín, a prime office zone facing Avenida del Libertador, an important north-to-south avenue. The building is also located within walking distance of the Retiro commuter train station, Buenos Aires most important public transportation hub, connecting rail, subway and bus transportation. IRSA owns the entire building which has an average area per floor of 440 square meters. The building s principal tenants currently include Allende & Brea, Carlson Wagonlint Travel Argentina S.A. and PPD Argentina S.A.

Libertador 498, City of Buenos Aires. Libertador 498 is a 27-story office tower at the intersection of three of the most important means of access to the City of Buenos Aires. This location allows for easy access to the building from northern, western and southern Buenos Aires. During the fiscal year 2009 IRSA sold 5 functional units representative of 3,099 sqm of gross leasable area. As of June 30, 2009, IRSA owned 12 stories with an average area per floor of 620 square meters and of 209 parking spaces. This building features a unique design in the form of a cylinder and a highly visible circular lighted sign at the top which turn it into a landmark in the Buenos Aires skyline. The main tenants include Alfaro Abogados S.C., Sideco Americana S.A. , LG Electronics Argentina S.A., Allergan Productos Farmacéuticos S.A. and Dak Americas Argentina S.A.

Edificios Costeros, Dique II, City of Buenos Aires. Costeros A and B are two four-story buildings developed and located in the Puerto Madero area. IRSA owns the two buildings which have a gross leaseable area of 6,389 square meters. In September 1999 IRSA completed their construction and in April 2000 began to market the office spaces and 147 parking spaces. The main tenants of these properties are as follows: Leo Burnett Worldwide Invest. Inc., Italcred S.A., Coty Argentina S.A., and Yamaha Music Latin America.

***Edificios Costeros, Dique IV, City of Buenos Aires*.** On August 29, 2001, IRSA signed the deed of purchase of Section C of the office complex known as Puerto del Centro that includes buildings 5 and 6. The property is located in the Puerto Madero area and has approximately 5,500 square meters of gross leaseable area and 50 parking spaces. The building s principal tenants currently include Nextel Argentina S.A., Consultora de Estudios Bonaerense S.R.L., London Supply S.A.C.I.F.I., and Trafigura Argentina S.A.

***Dock del Plata, City of Buenos Aires*.** Dock del Plata is an office building located at Alicia Moreau de Justo 400 in the Puerto Madero area acquired by us in November 2006. It is a 4-story building with an average surface per floor of 1,500 square meters and with 309 units of parking space. In the fiscal period ended June 30, 2009 the retail stores and 4 functional units were sold, accounting for 3,937 sqm, with the office leasable area now being 3,985 square meters. At present, the main tenants include AT & T Communications Serv. S.R.L., MCO LEX S.R.L and CA Argentina S.A.

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

***Other office properties*.** IRSA also have interests in other office properties, all of which are located in the City of Buenos Aires. These properties are either entire buildings or portions of buildings, none of which contributed more than Ps.0.8 million in annual rental income for fiscal year 2009. Among these properties are Madero 942 (sold in October 2008), Libertador 602, Av. de Mayo 595, Rivadavia 2768 and Sarmiento 517.

During fiscal 2009 IRSA executed and delivered title deeds for the sale of 19,371 sqm of gross leasable area corresponding to non-strategic office assets in several transactions totaling approximately US$ 52 million. These transactions include, besides those broken down above in the review: 7 functional units at Edificio Dock del Plata representative of 3,937 sqm of gross leasable area; a commercial property in Puerto Madero designated as Crucero I representative of 192 sqm of gross leasable area; 5 functional units at Edificio Libertador 498 representative of 3,099 sqm of gross leasable area; one functional unit at the property located in Av. Madero 942 representative of 768 sqm of gross leasable area; 5 floors at Edificio Laminar Plaza, representative of 6,520 sqm of gross leasable area and a block building along Reconquista street representative of 5,016 sqm of gross leasable area. This decision allows us to reinforce our financial robustness and to re-focus on consummating the potential business opportunities that are being added to our portfolio such as the incorporation into our portfolio of the Dique IV office building in May 2009 and the completion and start-up of the office building adjacent to the Dot Baires Shopping Center scheduled to be operational in the year 2010.

***Retail and other properties*.** Our portfolio of leased properties as of June 30, 2009 includes ten leased properties that are leased as street retail, a warehouse, two leased undeveloped parcels of land and various other uses. Most of these properties are located in the City of Buenos Aires, although some are located in other cities in Argentina. These properties include Constitución 1111, Museo Renault, Thames and Santa María del Plata.

Hotels Operations.

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

The following chart shows certain information regarding IRSA s luxury hotels:

Hotel	Date of Acquisition	Our effective interest	Number of rooms	Average Occupancy (1)	Average price per room (2)	Accumulated sales in Ps.000 as of June 30, 2009	2008	2007	Book value as of 06/30/09 (Ps. 000)
Intercontinental (3)	11/01/97	76.34%	309	71.9%	559	61,367	57,517	45,263	47,749
Sheraton Libertador (4)	03/01/98	80.00%	200	82.8%	449	37,060	34,526	29,338	37,778
Llao Llao (5)	06/01/97	50.00%	201	53.9%	1078	60,486	56,804	48,080	74,191
Bariloche Plot of Land (5)	12/01/06	50.00%	N/A	N/A	N/A	N/A	N/A	N/A	21,900
Total			**710**	**69.8%**	**638**	**158,913**	**148,847**	**122,681**	**181,618**

Notes

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

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

Hotel Intercontinental, City of Buenos Aires. In November 1997, IRSA acquired 51% of the Hotel Intercontinental from the Pérez Companc S.A. The Hotel Intercontinental is located in the downtown City of Buenos Aires neighborhood of Monserrat, adjacent to the Intercontinental Plaza office building. Intercontinental Hotels Corporation, a United States corporation, currently owns 25% of the Hotel Intercontinental. The hotel s meeting facilities include eight meeting rooms, a convention center and a divisible 588 square meter ballroom. Other amenities include a restaurant, a business center, a spa and a fitness facility with swimming pool. The hotel was completed in December 1994 and has 309 rooms. The hotel is managed by the Intercontinental Hotels Corporation.

Hotel Sheraton Libertador, City of Buenos Aires. In March 1998 IRSA acquired 100% of the Hotel Sheraton Libertador from Citicorp Equity Investment for an aggregate purchase price of US$23 million. This hotel is located in downtown Buenos Aires. The hotel contains 193 rooms and 7 suites, eight meeting rooms, a restaurant, a business center, a spa

and fitness facilities with a swimming pool. In March 1999, IRSA sold 20% of IRSA s interest in the Sheraton Libertador Hotel for US$4.7 million to Hoteles Sheraton de Argentina. The hotel is currently managed by Sheraton Overseas Management Corporation, a United States corporation.

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

IRSA s Investment in Banco Hipotecario

IRSA has a significant investment in Banco Hipotecario which represented 10.9% of its consolidated assets as of June 30, 2009. Established in 1886 by the Argentine government and privatized in 1999, Banco Hipotecario has historically been Argentina s leading mortgage lender, provider of mortgage-related insurance and mortgage loan services. All of its operations and customers are located in Argentina where it operates a nationwide network of 47 branches and 18 sales offices.

Banco Hipotecario is a full-service commercial bank offering a wide variety of banking activities and related financial services to individuals, small-and medium-sized companies and large corporations. As of June 30, 2009, Banco Hipotecario ranked third in the Argentine financial system in terms of shareholders equity and tenth in terms of total assets. As of June 30, 2009, Banco Hipotecario s shareholders equity was Ps.2,662.7 million, its assets were Ps.11,909.4 million, and its net income for the twelve-month period ended June 30, 2009 was Ps.50.5 million. Since 1999, Banco Hipotecario s shares have been listed on the Buenos Aires Stock Exchange in Argentina, and since 2006 it has had a Level I GDR program.

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

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

Banco Hipotecario seeks to achieve a balanced portfolio of mortgage loans, consumer financing and corporate credit lines, while maintaining an adequate risk management policy. As of June 30, 2009, its portfolio of non-mortgage loans represented 53.7% of its total loan portfolio, compared to 51.7% as of June 30, 2008

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During the twelve-month period ended June 30, 2009, Banco Hipotecario also experienced continued growth in deposits, including savings accounts and time deposits.

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

	As of December 31,	As of June 30	
	2007	2008	2009
Checking accounts	Ps. 35.5	Ps. 40.3	Ps. 68.8
Saving accounts	190.9	178.1	215.6
Time deposits	1,069.0	1,657.3	3,019.8
Other deposit accounts	29.3	32.4	62.7
Accrued interest payable	10.1	18.2	45.3
Total	Ps. 1,334.8	Ps. 1,926.3	Ps .3,412.2

Seasonality

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

Competition

Shopping centers

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

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

Company	Shopping Center	Location[(1)]	Gross leaseable area	Shops	% Overall national gross leaseable area[(2)] (%)	% Storesb[2] (%)
APSA						
	Abasto de Buenos Aires	CABA	41,336	173	2.79%	3.19%
	Alto Palermo Shopping	CABA	18,635	145	1.26%	2.68%
	Buenos Aires Design(3)	CABA	13,750	64	0.93%	1.18%
	Dot Baires Shopping	CABA	49,731	153	3.37%	2.82%
	Paseo Alcorta(4)	CABA	53,035	111	3.59%	2.05%
	Patio Bullrich	CABA	11,741	85	0.79%	1.57%
	Córdoba Shopping(4)	Córdoba	22,771	106	1.54%	1.96%
	Alto Avellaneda(4)	GBA	37,298	144	2.52%	2.66%
	Mendoza Plaza Shopping(4)	Mendoza	41,118	150	2.78%	2.77%
	Alto Rosario (4)	Rosario	40,901	145	2.76%	2.68%
	Alto Noa(4)	Salta	18,851	88	1.27%	1.62%
	Subtotal		**349,167**	**1,364**	**23.60%**	**25.18%**
Cencosud S.A.						
	Portal de Palermo(4)	CABA	32,252	36	2.18%	0.65%
	Portal de Madryn	Chubut	4,100	26	0.28%	0.48%
	Factory Parque Brown(4)	GBA	31,468	91	2.13%	1.68%
	Factory Quilmes(4)	GBA	40,405	47	2.73%	0.87%
	Factory San Martín(4)	GBA	35,672	31	2.41%	0.57%
	Las Palmas del Pilar Shopping(4)	GBA	50,906	131	3.44%	2.42%
	Plaza Oeste Shopping(4)	GBA	41,120	146	2.78%	2.70%
	Portal Canning(4)	GBA	15,114	21	1.02%	0.39%
	Portal de Escobar(4)	GBA	31,995	31	2.16%	0.57%
	Portal Lomas(4)	GBA	32,883	50	2.22%	0.92%
	Unicenter Shopping(4)	GBA	94,279	287	6.37%	5.30%
	Portal de los Andes (4)	Mendoza	30,558	47	2.07%	0.87%
	Portal de la Patagonia(4)	Neuquén	34,230	93	2.31%	1.72%
	Portal de Rosario(4)	Rosario	66,361	182	4.49%	3.36%
	Portal de Tucumán(4)	Tucumán	21,301	94	1.44%	1.74%
	Subtotal		562,644	1,313	38.03%	24.24%
	Other Operators					
	Subtotal		**567,758**	**2,740**	**38.37%**	**50.58%**
	Total		**1,479,569**	**5,417**	**100.00%**	**100.00%**

(1) GBA means Greater Buenos Aires, the Buenos Aires metropolitan area, and CABA means the City of Buenos Aires.
(2) Percentage over total shopping centers in Argentina that are members of the Argentine Chamber of Shopping Centers (CASC). Figures may not sum due to rounding.
(3) The effective interest held by Alto Palermo S.A. in ERSA, the company that operates the concession of this building, is 53.7%.
(4) Includes total leaseable area occupied by supermarkets and hypermarkets.
Source: Argentine Chamber of Shopping Centers.

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Consumer Financing

The consumer financing market in Argentina is highly competitive due to (i) the active participation in this market of substantially all international and domestic banks conducting business in Argentina, most of which have substantially greater financial resources than we do and (ii) the strong market position of both Visa and Mastercard in Argentina. Tarshop s main competitors in various segments of the credit card market include:

International and domestic cards: Visa, Master, AMEX, Cabal and Diners.

Regional cards: Naranja, Provencred, Credilogros, Italcred, Carta Sur and Credial.

Closed cards: Falabella, Garbarino, Frávega, Musimundo, Carrefour and Johnson s.

Banks: Columbia, Itaú, Comafi, Privado, Hipotecario, Macro, Standard Bank.

International financial companies: GE Money, Cetelem and AIG (Efectivo Sí).

Development and Sale of Properties

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

Offices and Other Non-Shopping Center Rental Properties

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

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

Hotel Operations

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

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New Projects and Undeveloped Properties.

Arcos del Gourmet. In August 2007, APSA exercised the option to purchase a 75% interest in a company engaged in the development of a cultural, recreational and entertainment complex in the Palermo neighborhood in Buenos Aires. APSA paid US$ 0.6 million for the option, which is accounted for under other non current investments. The purchase was subject to certain approvals by the regulatory authorities which have not been obtained as of the date of this Annual Report.

Once the approvals were obtained, APSA would have to make a total investment of US$ 24.4 million.

APSA and the seller had certain disagreements as to whether the conditions were fulfilled and accordingly exchanged formal letters with the respective positions.

As a subsequent event, the parties have agreed certain modifications to the original agreement, so the closing of this operation was carried out as follows:

On November 27, 2009 APSA acquired 7,916,488 non endorsable, registered common shares, with a face value of Ps.1 each and with 1 voting right per share, representing 80% of the capital stock of Arcos.

As of the date of issuance of these Financial Statements, Arcos is the holder of a concession granted by ONABE (the Federal Organism of Properties Management) by which APSA has the rights to exploit a site with a surface of approximately 5,813 square meters and the related parking lot with a surface of approximately 28,881 square meters.

The agreed price for the shares acquired by APSA is the following: 1) US$ 4.3 million corresponding to the 40% of the shares of Arcos; 2) for the remaining 40% of the shares the price was settled in: 2.a) a fixed amount of US$ 0.8 million with plus 2.b) 20% of the investment needed to develop the project as it is explained as follows.

The parties agreed to pay the price indicated above, in 1) the sum of US$ 0.3 million was already paid; the sum of US$ 2.0 million was paid at the time of the signature of the share purchase agreement and the remaining balance will be paid in two annual equal installments, which will mature on November 27, 2010 and November 27, 2011, respectively. The portion of the price indicated in 2.a) above the sum of US$ 0.3 million was paid in time and the sum of US$ 0.5 million will be paid when the meeting of shareholders approving the increase in Arcos capital in US$ 2.7 million. The portion of the price indicated in 2.b) will be paid by APSA at the time of the eventual capital increases necessary to the development of the project, which must be approved by the respective authorities, in accordance with that agreed by the respective parties through the limit of US$ 6.9 million. In this latter case, APSA must pay in such way that the sellers can paid-in the 20% of those increases, then with the amounts paid by APSA.

Execution of Letter of Intent. On June 30, 2009, APSA executed a Letter of Intent with an unrelated party to purchase a 10,022 square meter property in the City of Paraná, Province of Entre Rios, Argentina. APSA intends to construct a shopping center on the site. The purchase price amounts to US$ 0.5 million. In July 2009, APSA paid US$ 0.05 million in advance to secure APSA s right of first offer through November 27, 2009 when the Letter of Intent expires.

Purchase of the Anchorena building. On August 7, 2008, APSA signed an agreement by which we acquired functional units number one and two with an area of 2,267.5 square meters and 608.37 square meters located at Dr. Tomas Manuel de Anchorena street No. 665, 667, 669 and 671, between Tucumán and Zelaya streets. The total agreed-upon price amounts to US$ 2 million which has been paid on January 15, 2009 when the title deed was signed.

On August 7, 2008, we signed an agreement by which we acquired functional unit number three with an area of 988 square meters, located at Dr. Tomas Manuel de Anchorena street No. 665, 667, 669 and 671, between Tucumán and Zelaya streets. The total agreed-upon price amounts to US$ 1.3 million which has been paid on January 15, 2009 when the title deed was signed.

As of June 30, 2009, the total amount paid for the acquired functional units above mentioned was US$ 3.3 million.

Torres Rosario Project, City of Rosario, Province of Santa Fe. The project spans over an entire block, sub-divided into 8 parcels covering approximately 50,000 square meters overall. As of June 30, 2009, a barter was executed over 2 of the 8 parcels with Condominios del Alto S.A. (parcels 2 G and 2 H) with 6 parcels pending sale and amounting to approximately 31,000 square meters of surface area in the aggregate.

Acquisition of Soleil Factory shopping center business. On December 28, 2007, APSA entered into an agreement with INCSA, an unrelated party, for the acquisition of Soleil Factory shopping center business, for an aggregate purchase price of US$ 20.7 million, of which US$ 8.1 million were paid. The transaction is subject to certain suspensive conditions. Upon fulfillment of the conditions and transfer of the business, the remaining balance of the purchase price amounting to US$ 12.6 million will accrue interest at a fixed rate of 5% per year. This balance will be paid in seven annual and consecutive installments starting on the first anniversary of the execution of the contract. As part of the same agreement, APSA entered into an offer to acquire, construct and operate a shopping center on land property of INCSA located in San Miguel de Tucumán, Province of Tucumán, in the northwest of Argentina. This transaction is also subject to the completion of the Soleil Factory transaction among other suspensive conditions. The parties determined the value of this transaction to be US$ 1.3 million, of which a de minimis amount was paid in January 2008.

PAMSA-Dot Baires Offices. PAMSA, an APSA subsidiary, is in the process of completing the development of an office building with a gross leasable area of 9,700 sqm adjacent to the shopping center opened in May 2009, Dot Baires. This building will be operational in early 2010 and will be APSA s first venture in the rental office corridor in the northern area of the City of Buenos Aires.

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

On June 12, 2009, a new agreement was executed with the Municipality of Neuquén whereby we were required to submit the blueprints of the new Road Project (including the additions to the project agreed upon) and the blueprints of the Modified General Project within a 90-day term. Once such blueprints are registered, a 30-day term starts to run for the Municipality to render an opinion and as soon as the Parties agree on any potential objections raised against the Projects by the Municipality, APSA must start with the works within a 90-day term.

Ex Escuela Gobernador Vicente de Olmos, Córdoba, Province of Córdoba. In November 2006 APSA participated in a public bidding called by Corporación Inmobiliaria Córdoba S.A. for the sale of the building known as Ex Escuela Gobernador Vicente de Olmos, located in the City of Córdoba. The building has 5,147 square meters of surface area. Inside the building there is a portion of the Patio Olmos shopping center, which operates in four commercial plants and has two underground parking lots. This shopping center also includes two neighboring buildings with cinemas and a commercial annex connected to sector covered by the call for bids and legally related through easement contracts. The building is under a concession contract effective for a 40-year term, expiring in February 2032, in which APSA acts as grantor. On September 25, 2007, the Government of the Province of Córdoba executed and delivered the title deed conveying the property where the Patio Olmos Shopping Center is currently operating, together with the transfer of the respective concession contract. At June 30, 2009, the concession was in its 208th month with royalties in force for Ps. 12,565 per month.

Caballito Plot of Land, Ferro Project. This is a property of approximately 23,389 square meters in the City of Buenos Aires, neighborhood of Caballito, one of the most densely populated of the city, which APSA purchased in November 1997. This plot would allow developing a shopping center having 30,000 square meters, a hypermarket, a cinema complex, and several recreation and entertainment activity areas. APSA is currently working to define the commercial project. At present, the legislature of the City of Buenos Aires has received a legislative bill to approve the zoning parameters corresponding to this property and it has been consented to by the City s executive branch.

Coto Residential Project. APSA is the owner of an air space of about 24,000 sqm above the Coto hypermarket that is close to Abasto Shopping Center in the heart of the City of Buenos Aires. APSA and Coto executed and delivered a deed dated September 24, 1997 whereby APSA acquired the rights to receive parking units and the rights to build on top of the premises located in the block formed by the streets Agüero, Lavalle, Guardia Vieja and Gallo, in the Abasto neighborhood. As an event subsequent to the close of the fiscal year ended June 30, 2008, a conditional barter agreement was executed, pursuant to which APSA would transfer to CYRSA 112 parking units and the rights to erect on top of the hypermarket two building towers in so far as a number of conditions are met. In exchange, CYRSA would deliver to APSA an as of yet undefined number of units in the building to be erected equivalent to 25% of the square meters that as a whole do not total less than four thousand and fifty-three square meters, with fifty square centimeters of own square meters to be built on the whole. Additionally, in the event there were any, CYRSA would deliver to us a number of storage spaces equivalent to 25% of the storage spaces in the building to be erected. In addition, in the event of meeting the conditions precedent applicable to the transaction, CYRSA would pay to APSA US$ 88,815 and would proceed with the works in the parking lots that APSA would receive from Coto. This payment would be made within 30 running days as from the execution of the barter deed. For this barter to be consummated, the conditions precedent require Coto, the current owner of the real estate mentioned above that currently hosts a hypermarket, retail stores and parking spaces, to provide certain essential services. Possession over the real estate shall be conveyed upon executing the title deed, scheduled to take place within 30 days counted as from the date on which APSA notify CYRSA of compliance with the conditions precedent. The transaction between CYRSA and us totals US$ 5.9 million.

Beruti Plot of Land. In June 2008, APSA acquired a plot of land situated at Berutti 3351/3359, between Bulnes and Avenida Coronel Díaz in Palermo, a neighborhood in the City of Buenos Aires quite close to APSA s Shopping Center known as Shopping Alto Palermo . The transaction involved a surface area of 3,207 square meters for a price of US$ 17.8 million. This has been a significant acquisition because of the strategic location of the property, in the immediate vicinity of our main shopping center.

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Regulation and Government Supervision of our Real Estate Business

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

Currently, Argentine law does not specifically regulate shopping center lease agreements. Since IRSA s shopping center leases generally differ from ordinary commercial leases, IRSA has created standard provisions that govern the relationship with its shopping center tenants.

Leases

Argentine law imposes certain restrictions on landlords, including:

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

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

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

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

Despite this restriction, in November 2007, the judicial courts authorized IRSA s subsidiary Alto Palermo to enter into a lease agreement with Wal Mart Argentina S.R.L. for a term of 30 years. This exception was authorized taking into consideration the size of the investment required and the amount of time that was necessary to recoup this investment. In June 2008, IRSA s subsidiary Alto Palermo requested the judicial courts a new authorization to enter into a lease agreement with Falabella for a term of 30 years. In August 2008, the judicial courts rejected the request and in November 2008 Alto Palermo appealed this decision. In June 2009, the Appeal Court also rejected Alto Palermo s request and as a result such matter has been concluded.

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

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

Development and Land Use

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

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

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

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Sales and Ownership

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

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

- the preliminary registration with the Real Estate Registry of the purchase instrument within 30 days of execution of the agreements.

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

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

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

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

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

The Consumer Protection Law defines consumers or users, as the individuals or legal entities that acquire or use goods or services free of charge or for a price for final use for of their own benefit or that of their family or social group. It also includes the acquisition of rights on a time-share leasing, country club, private cemetery, among others.

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

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

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

Buildings Law. Buildings Law No. 19,724, as amended, sets forth a regime for the construction of buildings for later subdivision into condominium (*Propiedad Horizontal*). Under this law, developers must inform potential purchasers of their intention to sell the building as a condominium, as well as of all sale conditions, and the size of each unit in relation to the whole building. The sale of these units is subject to subdivision approval and in order to be included in Buildings Law regime must be registered with the Real Estate Registry (*Registro de la Propiedad Inmueble*). This law also states that, in the event that construction is not completed, all amounts already deposited must be repaid to the purchasers.

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

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

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

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

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

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

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

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

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

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

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On November 29, 2006, Law No. 26,167 was enacted. It established a special proceeding to replace ordinary trials for the enforcement of some mortgage loans. These special proceedings give creditors ten days to inform the debtor of the amounts owed to them and agree with the debtor on the amount and terms of payment. In case the parties fail to reach an agreement, payment conditions are to be determined by the judge. Also, this law established the suspension of the execution of judicial judgments, judicial and extrajudicial auctions, evictions and other proceedings related to the mortgage loans contemplated in this law.

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

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

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

- financial obligations were to be paid in Pesos at the exchange rate of Ps.1.00 = US$1.00 plus the CER for commercial leases;

- from October 1, 2002 and until March 31, 2004 for residential leases, the obligations where the tenant is an individual and the dwelling is used as the family residence of permanent use were to be paid in Pesos at the exchange rate of Ps.1.00 = US$1.00 plus the CVS;

- if because of the application of these provisions, the amount of the installment were higher or lower than the amount at the moment of the payment, any of the parties could require an equitable adjustment of the price. If the parties did not reach an agreement, the judicial courts could decide about the difference in each particular case; and

- pursuant to Decree No. 117/2004 and Law No. 25,796 that amends Law No. 25,713, the CVS became unenforceable since April 1, 2004.

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

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

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

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

When a request for approval is filed, the Antitrust Authority may (i) authorize the transaction, (ii) subordinate the transaction to the accomplishment of certain conditions, or (iii) reject the authorization.

The Antitrust Law provides that economic concentrations in which the transaction amount and the value of the assets absorbed, acquired, transferred or controlled in Argentina, do not exceed Ps.20.0 million are exempted from the administrative authorization. Notwithstanding the foregoing, when the transactions effected during the prior 12-month period exceed in total Ps.20.0 million or Ps.60.0 million in the last 36 months, these transactions must be notified to the Antitrust Authority.

As the consolidated annual sales volume of Alto Palermo and IRSA exceed Ps.200.0 million, IRSA should give notice to the Antitrust Authority of any concentration provided for by the Antitrust Law.

After IRSA sold the Edificio Costeros, dique II, IRSA asked on November 20, 2009 if it was necessary to notify this operation.

After IRSA sold Reconquista 823/41 on April 27, 2009, IRSA asked the Antitrust Authority if it was necessary to notify this operation. On August 14, 2009, the Antitrust Authority informed IRSA that it was not necessary to report this sale.

After IRSA s acquisition of Bouchard 557, IRSA asked the Argentine Antitrust Authority whether it was necessary to notify it of such acquisition. The Antitrust Authority advised IRSA that IRSA was in fact required to notify it, and the pertinent court ratified such decision. Consequently, on April 22, 2008, the notice of the operation was filed with the Antitrust Authority. On June 10, 2009, the Antitrus Authority authorized the acquisition of Bouchard 557.

After IRSA sold the 29.85% interest in Bouchard 557, to Techint Compañía Técnica Internacional Sociedad Anónima Comercial e Industrial, IRSA asked the Antitrust Authority if it was necessary to notify this operation. On July 4, 2008, the Antitrust Authority informed IRSA that it was not necessary to report this sale.

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IRSA filed a new request for the Antitrust Authority s opinion regarding IRSA´s acquisition of Bank Boston Tower on August 30, 2007. The Antitrust Authority advised IRSA that was in fact required to so notify it, and IRSA challenged this opinion in the local courts.

On May 6, 2008, IRSA filed with the Antitrust Authority a request for its opinion as to the need to notify the Antitrust Authority the acquisition of Edificio República. The Antitrust Authority advised IRSA that was in fact required to so notify it. IRSA challenged this opinion in the local courts.

On January 15, 2007 IRSA was notified of two claims filed against us before the Antitrust Authority, one by a private individual and the other one by the licensee of the shopping center, both opposing the acquisition from the province of Córdoba of a property known as Ex-Escuela Gobernador Vicente de Olmos. On February 1, 2007 IRSA responded the claims. On June 26, 2007, the Antitrust Authority notified us that it has initiated a summary proceeding to determine whether the completion of the transaction breaches the Antitrust Law. As of the date of this filing the result of this proceeding has not been determined.

On January 22, 2008, APSA requested the Antitrust Authority s clearance for the transfer of the Soleil Factory shopping center. As of the date of this filing, the Antitrust Authority has not reached a decision.

On December 3, 2009, APSA requested the Antitrust Authority s clearance for the transfer of the shares of Arcos Gourmet. As of the date of this filing, the Antitrust Authority has not reached a decision.

Environment. IRSA´s activities are subject to a number of national, provincial and municipal environmental provisions. Section 41 of the Argentine Constitution, as amended in 1994, provides that all Argentine inhabitants have the right to a healthy and balanced environment fit for human development and have the duty to preserve it. Environmental damage shall bring about primarily the obligation to restore it as provided by applicable law. The authorities shall see to the protection of this right, the rational use of natural resources, the preservation of the natural and cultural heritage and of biodiversity, and shall also provide for environmental information and education. The National Government shall establish minimum standards for environmental protection whereas Provincial and Municipal Governments shall fix specific standards and regulatory provisions.

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

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

On August 6, 2009, the *Comisión Nacional de Valores* issued General Resolution No. 559 (General Resolution No. 559/2009) providing for the rules applicable to listed companies whose corporate purpose comprise activities regarded as risky for the environment, in order to keep the shareholders, investors and the general public informed about the fulfillment of current environmental regulations. As of the date hereof, such Resolution has not been regulated as provided for therein.

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

For more information see Item 3 *Risk Factors - Risk related to our Business - IRSA s business is subject to extensive regulation and additional regulations may be imposed in the future.*

Property

As of September 30, 2009, all of IRSA s property (consisting of rental properties in the office and retail real estate sectors, development properties primarily in the residential real estate sector, and shopping centers) are located in Argentina. IRSA leases its headquarters, located at Bolívar 108, C1066AAD and Moreno 877, piso 22, C1091AAQ Buenos Aires, Argentina, pursuant to a two lease agreement that expires on February 28, 2014 and November 30, 2008, respectively. IRSA does not currently lease any material properties other than the headquarters.

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The following table sets forth certain information about IRSA s properties:

Property (8)	Date of Acquisition	Leasable / Sale m2(1)	Location	Net Book Value Ps./000 (2)	Encumbrance	Outstanding Principal Amount (in millions of Ps.)	Maturity Date	Balance due at maturity of last installment (in millions of Ps.)	Rate	Use	Occupancy rate (9)
Intercontinental Plaza	11/18/97	22,535	City of Buenos Aires	85,430						Office Rental	100.0%
Dock del Plata	11/15/06	3,106	City of Buenos Aires	9,854						Office Rental	73.95%
Bouchard 710	06/01/05	15,014	City of Buenos Aires	66,028						Office Rental	100.0%
Bouchard 551	03/15/07	23,378	City of Buenos Aires	152,315						Office Rental	100.0%
Libertador 498	12/20/95	5,574	City of Buenos Aires	21,150						Office Rental	94.44%
Maipú 1300	09/28/95	10,280	City of Buenos Aires	39,323						Office Rental	100.0%
Madero 1020	12/21/95	101	City of Buenos Aires	234						Office Rental	100.0%
Suipacha 652	11/22/91	11,453	City of Buenos Aires	11,275	Mortgage(7)					Office Rental	100.0%
Edificios Costeros (Dique II)	03/20/97	6,389	City of Buenos Aires	17,236						Office Rental	51.51%

Property (8)	Date of Acquisition	Leasable / Sale m2(1)	Location	Net Book Value Ps./000 (2)	Encumbrance	Outstanding Principal Amount (in millions of Ps.)	Maturity Date	Balance due at maturity of last installment (in millions of Ps.)	Rate	Use	Occupancy rate (9)
Costeros Dique IV	08/29/01	5,437	City of Buenos Aires	19,552						Office Rental	89.72%
Edificio República	04/28/08	19,884	City of Buenos Aires	223,302	Mortgage	103.1	Apr-13	25,8	Annual nominal 12% over balances	Office Rental	63.71%
Works in progress Dique IV	12/2/97	11,298	City of Buenos Aires	67,619						Office Rental	89.22%
Avda. Madero 942	08/31/94	0	City of Buenos Aires	0						Office Rental	N/A
Avda. de Mayo 595	08/19/92	1,958	City of Buenos Aires	4,664						Office Rental	100.0%
Libertador 602	01/05/96	677	City of Buenos Aires	2,608						Office Rental	0.00%
Rivadavia 2768	09/19/91	274	City of Buenos Aires	237						Office Rental	0.00%
Sarmiento 517	01/12/94	39	City of Buenos Aires	344						Office Rental	0.00%
Constitución 1111	06/16/94	312	City of Buenos Aires	929						Commercial Rental	0.00%

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Property (8)	Date of Acquisition	Leasable / Sale m2(1)	Location	Net Book Value Ps./000 (2)	Encumbrance	Outstanding Principal Amount (in millions of Ps.)	Maturity Date	Balance due at maturity of last installment (in millions of Ps.)	Rate	Use	Occupancy rate (9)
Della Paolera 265	08/27/07	14,873	City of Buenos Aires	157,219						Office Rental	100.00%
Museo Renault	12/06/07	1,275	City of Buenos Aires	4,854						Commercial Rental	100.00%
Santa María del Plata	07/10/97	60,100	City of Buenos Aires	12,495						Other Rentals	100.0%
Thames	11/01/97	33,191	Province of Buenos Aires	3,899						Other Rentals	100.0%
Constitución 1159	01/16/94	2,072	City of Buenos Aires	5,173						Other Rentals	100.0%
Other properties (5)	N/A	N/A	City and Province of Buenos Aires	3,167						Other Rentals	N/A
Alto Palermo (3)	12/23/97	18,635	City of Buenos Aires	151,258						Shopping Center	99.6%
Abasto (3)	07/17/94	37,604	City of Buenos Aires	169,749						Shopping Center	100.00%
Alto Avellaneda (3)	12/23/97	37,289	City of Avellaneda	81,398						Shopping Center	95.90%
Paseo Alcorta (3)	06/06/97	14,385	City of Buenos Aires	72,628						Shopping Center	97.49%
Patio Bullrich (3)	10/01/98	11,741	City of Buenos Aires	95,261						Shopping Center	97.82%
Alto Noa (3)	03/29/95	18,871	City of Salta	22,642						Shopping Center	99.90%
Buenos Aires Design (3)	11/18/97	13,584	City of Buenos Aires	10,681						Shopping Center	99.65%
Alto Rosario (3)	11/09/04	28,649	City of Rosario	78,807						Shopping Center	96.98%
Mendoza Plaza Shopping (3)	12/02/04	40,548	City of Mendoza	84,026						Shopping Center	93.75%
Córdoba Shopping Villa Cabrera (3)	12/31/06	15,543	City of Córdoba	68,109	Mortgage					Shopping Center	96.86%
Panamerican Mall (3)	12/01/06	49,731	City of Buenos Aires	567,279						Shopping Center (in construction)	100.0%

Proyecto Neuquén (3)	07/06/99	N/A	Province of Neuquén	12,190	Shopping Center (in construction)	N/A
Puerto Retiro	05/18/97	82,051	City of Buenos Aires	54,458	Land Reserves	N/A

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Property (8)	Date of Acquisition	Leasable / Sale m2(1)	Location	Net Book Value Ps./000 (2)	Encumbrance	Outstanding Principal Amount (in millions of Ps.)	Maturity Date	Balance due at maturity of last installment (in millions of Ps.)	Rate	Use	Occupancy rate (9)
Solares de Santa María	07/10/97	715,951	Province of Buenos Aires	140,261						Land Reserves	N/A
Pereiraola	12/16/96	1,299,630	Province of Buenos Aires	21,717						Land Reserves	N/A
Terreno Torres de Rosario (3)	04/30/99	31,000	City of Rosario	15,984						Land Reserves	N/A
Canteras Natal Crespo	07/27/05	4,300,000	Province of Córdoba	5,706						Land Reserves	N/A
Terreno Beruti (3)	06/24/08	3,207	City of Buenos Aires	52,794	Mortgage	17.1	Feb-10	17.1	Not accrues interest	Land Reserves	N/A
Patio Olmos (3)	09/25/07	5,147	City of Córdoba	32,949						Land Reserves	N/A
Other land reserves (4)	N/A	14,381,919	City and Province of Buenos Aires	82,212						Land Reserves	N/A
Residential Apartments, communities and others (6)	N/A	N/A	City and Province of Buenos Aires	209,789						Residential apartments, parking spaces, lots and others	N/A
Hotel Llao Llao	06/01/97	24,000	City of Bariloche	84,480						Hotel	32.70%
Hotel Intercontinental	11/01/97	37,600	City of Buenos Aires	56,341						Hotel	49.00%
Hotel Libertador	03/01/98	17,463	City of Buenos Aires	42,597	Mortgage	17.5	Mar-10	15.3	Libor 6M + 700 pb	Hotel	67.95%
Terrenos Bariloche	01/12/06	N/A	Province of Río Negro	21,900	Mortgage	4.5	Dec-09	0.3	Fixed rate 7%	Hotel	N/A

(1) Total leaseable area for each property. Excludes common areas and parking spaces.

(2) Cost of acquisition or development, plus improvements, less accumulated depreciation, less allowances.
(3) Through Alto Palermo.
(4) Includes the following land reserves: Pilar, Torre Jardín IV, Pontevedra; Isla Sirgadero; Mariano Acosta, Intercontinental Plaza II, Terreno San Luis and Merlo (through IRSA), Terrenos Zetol and Terrenos Vista al Muelle (through Liveck) and Caballito, Coto Air Space, C. Gardel 3128/34, Zelaya 3102 and Conil (through Alto Palermo).
(5) Includes the following properties: Abril and Alto Palermo Park.
(6) Includes the following properties: Torres Jardín, Edificios Cruceros; San Martín de Tours, Rivadavia 2768, Swap receivables Terreno Caballito (Cyrsa and Koad) and Swap receivables Terreno Benavídez, Abril/Baldovinos through IRSA, Swap receivables Terreno Rosario, through APSA and Terrenos Caballito and Libertador 1703 and 1755 (Horizons) through CYRSA.
(7) As security for compliance with the construction of the future building to be built in a plot of land located in Vicente López, Province of Buenos Aires and transfer of the future units, the property located at Suipacha 652 was mortgaged.
(8) All assets are owned by IRSA or through any subsidiary of IRSA.
(9) Percentage of occupation of each property as of 09/30/09. The land reserves are assets that the company remains in the portfolio for future development.

Insurance

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

In our Development and Sale of Properties segment, IRSA only maintains insurance when it retains ownership of the land under development or when IRSA develops the property itself. The liability and fire insurance policies cover potential risks such as property damage, business interruption, fire, falls, collapse, lightning and gas explosion,. Such insurance policies contain specifications, limits and deductibles which we believe are customary. IRSA maintains insurance policies for the properties after the end of construction only if it retains ownership, primarily in the Offices and Other Properties segment.

IRSA carries insurance for directors and officers covering management s civil liability, as well as legally mandated insurance, including employee personal injury. IRSA does not provide life or disability insurance for its employees as benefits. IRSA believes its insurance policies are adequate to protect it against the risks for which it is covered. Nevertheless, no assurances can be given that the insurance amount purchased by IRSA will be enough to protect itself from significant losses. See Risk Factors Risks Related to IRSA s Business. Some potential losses are not covered by insurance, and certain kinds of insurance coverage may become prohibitively expensive.

C. ORGANIZATIONAL STRUCTURE

Subsidiaries and Affiliated Companies

The following table includes a description of our subsidiaries and affiliated companies as of June 30, 2009:

Subsidiaries	Effective Ownership and Voting Power Percentage	Property/Activity
Inversiones Ganaderas S.A.	99.99%	This company owns two farms located in the Province of Catamarca: Tali Sumaj and El Recreo .
Agropecuaria Anta S.A. (f/k/a Agropecuaria Cervera S.A.)	99.99%(1)	This company has the concession for the start-up of production pertaining to a comprehensive biological, economic and social development project in various properties located in the Department of Anta, in the Province of Salta, and it is duly authorized to implement a large-scale project covering agricultural, cattle breeding and forestry activities.
Cactus Argentina S.A.	48.00%(4)	This company represents our strategic alliance with Cactus Feeders Inc. and Tyson Foods Inc. for feed lot production. It owns a 170-hectare farm located in the district of Villa Mercedes in the Province of San Luis. It will have the capacity to support 75,000 head of beef cattle per year, in cycles of approximately 28,000 head each.
Agro-Uranga S.A.	35.72%	An agriculture, dairy and beef cattle company which owns two farms (Las Playas and San Nicolás) covering 8,299 hectares in the provinces of Santa Fe and Córdoba, and approximately 1,434 beef cattle head.
Futuros y Opciones.Com S.A.	66.20%	A leading agricultural web site which provides information about markets and services of economic and financial consulting through the Internet. The company has begun to expand the range of commercial services offered to the agricultural sector by developing direct sales of supplies, grain brokerage services and beef cattle operations.
IRSA Inversiones y Representaciones Sociedad Anónima	55.64%(3)	It is a leading Argentine company devoted to the development and management of real estate.
BrasilAgro Companhia Brasileira de Propiedades Agrícolas	19.14%	BrasilAgro is mainly involved in four areas: sugar cane, grains and cotton, forestry activities, and livestock.
Exportaciones Agroindustriales Argentinas S.A.	48.00%(5)	EAASA a company that owns a cold storage plant in Santa Rosa, Province of La Pampa, with capacity to slaughter and process approximately 9,500 cattle head per month.
Agrology S.A.	99.99%(1)	Agrology S.A. is involved in contributions, association or investment of capital in individuals or companies organized or to be organized in Argentina or abroad through the purchase and sale of bonds, shares, debentures and any kind of securities and commercial paper under any of the systems or forms created or to be created, and to the management and administration of the capital stock it owns on companies controlled by it.
FyO Trading S.A.	67.43%(2)	FyO Trading S.A. s purpose is to engage, in its own name or on behalf of or associated with third parties, in activities related to the production of agricultural products and raw materials, export and import of agricultural products and national and international purchases and sales of agricultural products and raw materials.

(1) Includes Inversiones Ganaderas S.A. s interest.
(2) Includes Futuros y Opciones.Com S.A. s interest.
(3) Includes the interest in Agrology S.A.
(4) Includes the interest in Helmir S.A.
(5) Includes the interest in Cactus Argentina S.A.

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The following is IRSA s organizational chart and its principal subsidiaries as of June 30, 2009:

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D. PROPERTY, PLANTS AND EQUIPMENT

Overview of Agricultural Properties

As of June 30, 2009, we owned, together with our subsidiaries, 25 farms, which have a total surface area of 482,246 hectares.

The following table sets forth our properties size (in hectares), primary current use and book value. The market value of farmland is generally higher the closer a farm is located to Buenos Aires:

Owned Farms as of June 30, 2009

	Facility	Province	Country	Gross Size (in hectares)	Date of Acquisition	Primary current use	Net Carrying value (Ps. Millions)(1)	Encumbrances (Ps. millions)
1	La Adela	Buenos Aires	Argentina	1,054	Original	Crops	9.5	
2	La Juanita	Buenos Aires	Argentina	4,302	Jan-96	Crops/Milk	18.2	
3	El Invierno	La Pampa	Argentina	1,946	Jun-05	Crops	9.2	
4	El Tigre	La Pampa	Argentina	8,365	Apr-03	Crops/Milk	35.0	
5	San Pedro	Entre Ríos	Argentina	6,022	Sep-05	Crops/Beef Cattle	48.7	Mortgage 6.6 (6)
6/7	Santa Bárbara/ La Gramilla	San Luis	Argentina	7,052	Nov-97	Crops under irrigation	18.5	
8	Cactus Argentina S.A. (2)	San Luis	Argentina	82	Dec-97	Feed lot	1.7	
9/10	Las Playas/San Nicolás (3)	Córdoba / Santa Fe	Argentina	2,965	May-97	Crops/Milk/Beef Cattle	12.9	
11	La Esmeralda	Santa Fe	Argentina	9,370	Jun-98	Crops/Beef Cattle	11.2	
12	Las Vertientes	Córdoba	Argentina	4		Silo	0.6	
13	La Suiza	Chaco	Argentina	41,993	Jun-98	Beef Cattle	31.7	
14/15	8 de Julio/ Carmen	Santa Cruz	Argentina	100,911	May-07/Sep-08	Sheep Production	10.6	
16/17	Tali Sumaj/El Recreo (4)	Catamarca	Argentina	25,095	May-95	Beef Cattle/ Natural Woodlands	5.8	
18	Los Pozos	Salta	Argentina	240,858	May-95	Beef Cattle/Crops/Natural Woodlands	63.3	
19	La Esperanza	La Pampa	Argentina	980	Mar-08	Crops	4.3	
20	Puertas de Luján	Buenos Aires	Argentina	115	Dec-08	Other	10.7	
21/22/23/24	Las Londras/San Cayetano/San Rafael/La Fon Fon	Santa Cruz	Bolivia	12,166	Nov-08/Jan-09	Crops	102.7	Mortgage 57.0
25	Jerovia (5)	Boquerón	Paraguay	20,966	Feb-09	Natural Woodlands	19.9	
	Subtotal			**484,246**			**414.5**	

(1) Acquisition costs plus improvements and furniture necessary for the production, less depreciation.
(2) Hectares and carrying amount in proportion to our 48.00% interest in Cactus Argentina S.A.
(3) Hectares and carrying amount in proportion to our 35.72% interest in Agro-Uranga S.A.
(4) Hectares and carrying amount in proportion to our 99.99% interest in Inversiones Ganaderas S.A.
(5) Hectares and carrying amount in proportion to our 50.00% interest in Cresca S.A through Agrology S.A.
(6) As of the date of presentation of this Annual Report, the mortgage is already cancelled.

Overview of Real Estate Properties

For information about our Real Estate Properties, please see *Item 4.B Business Overwiew- Real Estate Business-Office and Other Non Shopping Center Rental Properties-Properties* .

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Insurance

Agricultural Business

We carry insurance policies with insurance companies that we consider to be financially sound.

We employ multi-risk insurance for our farming facilities and industrial properties, which covers property damage, negligence liability, fire, falls, collapse, lightning and gas explosion, electrical and water damages, theft, and business interruption.

Such insurance policies have specifications, limits and deductibles which we believe are customary. Nevertheless, they do not cover damages to our crops.

We carry directors and officer s insurance covering management s civil liability, as well as legally mandated insurance, including employee personal injury.

We also provide life or disability insurance for our employees as benefits.

We believe our insurance policies are adequate to protect us against the risks for which we are covered. Nevertheless, some potential losses are not covered by insurance and certain kinds of insurance coverage may become prohibitively expensive.

The types of insurance used by the company are the following:

Insured property	Risk covered	Amount insured in Thousand of Pesos	Book value in Thousand of Pesos
Buildings, machinery, silos and furniture	Theft, fire and technical insurance	104,610	40,305
Vehicles	Theft, fire and civil and third parties liability	4,499	1,745

Real Estate Business

For information about Real Estate insurences, please see *Item 4.B Business Overview Real Estate Business-Office and other non shopping center rental properties-Insurance.*

Item 4A. Unresolved Staff Comments.
None.

Item 5. Operating financial review and prospects

A. CONSOLIDATED OPERATING RESULTS

The following management s discussion and analysis of our financial condition and results of operations should be read together with Selected Consolidated Financial Data and our consolidated financial statements and related notes appearing elsewhere in this annual report. This discussion and analysis of our financial condition and results of operations contains forward-looking statements that involve risks, uncertainties and assumptions. These forward-looking statements include such words as, expects, anticipates, intends, believes and similar language. Our actual results may differ materially and adversely from those anticipated in these forward-looking statements as a result of many factors, including without limitation those set forth elsewhere in this annual report. See Item 3 Risk Factors for a more complete discussion of the economic and industry-wide factors relevant to us and the opportunities and challenges as a result of the global economic crisis, and risks on which we are focused.

For purposes of the following discussion, unless otherwise specified, references to fiscal years 2009, 2008 and 2007 relate to the fiscal years ended June 30, 2009, 2008 and 2007, respectively.

During the fiscal year ended June 30, 2009, we acquired directly or indirectly 78,181,444 additional shares of IRSA. Our equity interest in IRSA is 55.64% as of June 30, 2009. We started consolidating the accounts and results of operations of IRSA as from October 1, 2008. Our consolidating financial information for periods prior to October 1, 2008 does not include the accounts of IRSA on a consolidated basis. Therefore, the income statement, balance sheet and cash flow data as of June 30, 2009 and for the year then ended is not comparable to prior periods.

For a discussion of results of operations of IRSA and to assist in understanding changes in the real estate business, please see *Item 5 Operating and Financial review and prospects* in IRSA s Annual Report on Form 20-F for the year ended June 30, 2009 which is publicly available on the SEC s website (*sec.gov*). The discussion and analysis of IRSA is for the full annual periods ended June 30, 2009 compared to June 30, 2008, and June 30, 2008 compared to June 30, 2007, and is not comparable to our consolidated results as we only consolidated IRSA for nine months from and including October 1, 2008. In addition, IRSA s discussion and analysis does not reflect purchase accounting adjustments applied by us.

The management s discussion and analysis (MD&A) of IRSA included in IRSA s 20-F for the year ended June 30, 2009 is referred only on a supplemental basis only.

The MD&A of IRSA is for the full annual periods ended June 30, 2009 compared to June 30, 2008 and June 30, 2008 compared to June 30, 2007 and is not comparable to our consolidated results as we only consolidated IRSA for 9 months as from October 1, 2008. In addition, IRSA MD&A does not reflect purchase accounting adjustments applied by us.

We maintain our financial books and records in Pesos. Except as mentioned in the following paragraph, we prepare our consolidated financial statements in conformity with Argentine GAAP and the regulations of the *Comisión Nacional de Valores* which differ in significant respects from U.S. GAAP. These differences involve methods of measuring the amounts shown in the financial statements as well as additional disclosures required by U.S. GAAP and Regulation S-X of the SEC. See Note 30 to our Audited Consolidated Financial Statements included elsewhere in this annual report for a description of the principal differences between Argentine GAAP and U.S. GAAP, as they relate to us, and reconciliation to U.S. GAAP of our net income and shareholders equity.

In order to comply with the regulations of the Argentine Securities Commission, we discontinued adjustment for inflation as of March 1, 2003 and we recognize deferred tax assets and liabilities on a non-discounted basis. These accounting practices differ from the Argentine GAAP. However, we consider that those departures have not had a significant impact on our financial statements.

Effects of the devaluation and the economic crisis

Most of our assets are located in Argentina, where our operations are performed. Therefore, our financial position and the results of our operations are strongly dependent on the economic conditions prevailing in Argentina. Due to the four-year recession ended in the second quarter of 2002, the Argentine economy suffered a material deterioration. Argentina s trade and fiscal deficits and the rigidity of its fixed exchange rate system (known as the convertibility regime), combined with the country s excessive reliance on foreign capital and with its mounting external debt, resulted in a deep contraction of the economy and in banking and fiscal crises when capital started to leave the country.

In response to the political and economic crisis, the Argentine government undertook a number of far-reaching initiatives that significantly changed the monetary and foreign exchange regime and the regulatory framework for conducting business in Argentina. Between December 2001 and January 2002, Argentina abolished the fixed parity between the Peso and the U.S. dollar, rescheduled bank deposits, converted dollar denominated debts into pesos, and suspended payment on a significant portion of its public debt.

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Various sectors of the Argentine economy were severely affected by the changes in the foreign exchange regime and the regulatory framework. In April 2002, the economy started its path to stabilization and realized a clear improvement of economic variables during the second half of the year, mainly as a result of expanding exports and decreasing imports. While the devaluation of the Peso had adverse consequences, it resulted in a positive balance for Argentina s current account, which fostered a reactivation of domestic production. The sharp decline in the Peso s value against foreign currencies, together with a decline in production costs in U.S. dollar terms, made Argentine products relatively inexpensive in the export markets. At the same time, the costs of imported goods increased significantly, substantially boosting domestic demand for domestic products.

During the second half of 2002, Argentina s Gross Domestic Product (GDP) increased 4.4%, and the consumer price index inflation was 8.0% for the six-month period ended December 31, 2002, compared to 30.5% for the six-month period ended June 30, 2002. The improving economic conditions, particularly the reduction of capital outflows, allowed the government to begin lifting restrictions on bank withdrawals in November 2002.

Despite the improvement in economic conditions during the second half of 2002, Argentina s overall GDP contracted 10.9% for the full year, receding to 1993 values, investment decreased and inflation increased sharply. The main impact of the crisis was the tremendous social hardship. Unemployment rose from 12.9% to 19.7% between 1998 and 2002, real wages declined 24% in 2002, and the poverty index increased from 29% of the population in 2000 to 52% in 2002.

In May 2003, Argentina s political environment was reorganized when Nestor Kirchner took office as president. The economy continued to show indications of recovery, as GDP grew 8.8% in 2003. A combination of sound fiscal and monetary policies kept consumer price inflation under control at 3.5% in 2003. During 2003, Argentina moved towards normalizing its relationship with the IMF, withdrew all the national and provincial governments quasi-money securities from circulation and eliminated all deposit restrictions. The trade balance experienced a sustained surplus, aided by the rise in commodity prices and export volumes.

Social indicators also improved. The unemployment rate decreased to 17.3% in 2003 and real wages began to recover.

During 2004 and 2005, the Argentine economy continued to grow. GDP grew 9.0% in 2004 and 9.0% in 2005 according to the Argentine Central Bank s survey of independent forecasting firms. In June 2005, the Argentine government completed a restructuring of a substantial portion of the federal government s public debt, which had been in default since December 2001. Argentina reduced the outstanding principal amount of its public debt from US$191.3 billion to US$126.6 billion and negotiated lower interest rates and extended payment terms.

During 2008, the global economy deteriorated significantly as a consequence of the subprime mortgage crisis. Therefore, Argentina faced a global economic slow-down and reduction in activity levels that may impair economic growth. During the first half of 2009, signs of recovery have been observed, such as increases in the level of activity of certain advanced economies. Argentina can continue to generate positive export balances through the export of primary commodities and industrial manufactures.

Inflation remained relatively low in 2004 although it almost doubled from 2003, and it stood at 12.3% during 2005, 9.8% during 2006, 8,5% during 2007, 7.2% during 2008 and 2.2% during the first half of 2009.

Although Argentina s economy has recovery significantly from the crisis of 2002, the effects of the global economic slow-down on Argentina can not be predicted. We cannot assure you that the favorable economic conditions that Argentina has experienced in recent years will continue. See *Risk Factors Risks Related to Argentina.*

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Effects of inflation

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

Year ended June 30,	Consumer Price Index	Wholesale Price Index
2002	28.4%	88.2%
2003	10.2%	8.1%
2004	4.9%	8.6%
2005	9.0%	7.7%
2006	11.0%	12.1%
2007	8.8%	9.4%
2008	9.3%	13.8%
2009	5.26%	5.4%

The increase in inflationary risk may erode our present macroeconomic stability, causing a negative impact on our operations.

The Wholesale Price Index (IPIM) increased by 7.8% in the first ten months of 2009,and the consumer price index increased 5.8% in the first ten months of 2009.

Effects of interest rate fluctuations

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

Effects of foreign currency fluctuations

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

Factors Affecting Comparability

We describe below certain factors affecting the comparability of our results of operations from period to period. These factors are based upon currently available information and do not represent all of the factors that are relevant to an understanding of our current and future results of operations. For ease of presentation we divided these factors into factors affecting comparability within our agricultural business and real estate business respectively.

In addition, our results of operations for the year ended June 30, 2009 are affected by the consolidation of the results of operations of IRSA as from October 1, 2008. Prior to October 1, 2008, our investment in IRSA was accounted for under the equity method of accounting. Thus, our results of operations for the year ended June 30, 2008 are not fully comparable to the results of operations for the year ended June 30, 2008 in regards to the real estate business.

Agricultural Business

Purchase and Sales of Farmlands

Our strategy includes the identification, acquisition, exploitation and selective disposition of rural properties that have attractive prospects for long-term value appreciation. As a part of this strategy, from time to time we purchase and sell farmlands. The acquisition or disposition of farmlands in any given period may make the production results of that period difficult to compare to those of other periods.

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Seasonality

Like any other agribusiness company, our business activities are inherently seasonal. Harvest and sales of grains (corn, soybean and sunflower) in general take place from February to June. Wheat is harvested from December to January. With respect to our international market, climate conditions in Bolivia allow a double season of soybean, corn and sorghum production and, accordingly, these crops are harvested in April and October, while wheat and sunflower are harvested during August and September, respectively. Other segments of our activities, such as our sales of cattle and milk and our forestry activities, tend to be more of a successive character than of a seasonal character. However, the production of beef and milk is generally higher during the second quarter, when pasture conditions are more favorable. Therefore, there may be significant variations in results from one quarter to the other.

Real Estate Business

Results on equity investees

We through IRSA currently own 24.01% of Banco Hipotecario (this figure does not consider the effect of Banco Hipotecario s treasury shares held in its portfolio), Argentina is the leading mortgage lender and provider of mortgage-related insurance and mortgage loan services in Argentina. Banco Hipotecario restructured its financial debt in 2004 and has recorded attractive results from its operations since then. For fiscal years ended June 30, 2007, 2008 and 2009, our investment in Banco Hipotecario generated a gain of Ps.41.4 million, a loss of Ps.12.4 million and a gain of Ps.142.2 million, respectively. The income and losses recorded by the real estate business as a result of this shareholding interest in fiscal years 2007, 2008 and 2009 represented 38.6%, (22.6%) and 89.6%, respectively, of the consolidated net income derived from the real estate business for such years, but we cannot assure that the investment in Banco Hipotecario will generate similar gains, if any, in the future.

Variability of results due to substantial property acquisitions and dispositions

The development and sale of large residential and other properties does not yield a stable, recurring stream of revenue. On the contrary, large acquisitions and sales significantly affect revenues for a reporting period, making it difficult to compare our year-to-year results. The historical revenues from the real estate business have varied from period to period depending upon the timing of sales of properties, and our future period-on-period results of its operations are likely to continue to vary, perhaps significantly, as a result of periodic acquisitions and dispositions of properties.

Critical Accounting Policies

In connection with the preparation of our Consolidated Financial Statements included in this annual report, we have relied on variables and assumptions derived from historical experience and various other factors that we deemed reasonable and relevant. Although we review these estimates and assumptions in the ordinary course of business, the presentation of our financial condition and results of operations often requires our management to make judgments regarding the effects of matters that are inherently uncertain on the carrying value of our assets and liabilities. Actual results may differ significantly from those estimated under different variables, assumptions or conditions. We have described each of the following critical accounting policies in order to provide an understanding about how our management forms judgments and views with respect to such policies and estimates, as well as the sensitivity of such policies and estimates:

- recognition of revenues;
- investments in certificates of participation (CPs)
- investments in affiliates and business combinations;
- useful lives of real estate assets;

provision for allowances and contingencies;

- impairment of long-lived assets;
- intangible assets concession rights;
- debt restructuring;
- derivative instruments;
- deferred income tax; and
- minimum presumed income tax (MPIT).

Recognition of Revenues

Agricultural Business

We derive our revenues primarily from (i) the production and sale of crops, beef cattle and milk, (ii) cattle feed lot operations, (iii) leasing of our farmlands to third parties, (iv)commodity brokerage activities, and (v) sale of farmlands.

Through the consolidation of our financial statements with IRSA s we primarily derive our revenues from domestic office space and shopping center leases and services operations, from the development and sale of properties, from consumer financing operations and from hotel operations.

This section reflects our revenue recognition policies and those of the subsidiaries controlled by and subject to common control with us, except for those relating to the real estate business, which are included under Critical Accounting Policies .

Production. We recognize production income when there is a change in biological assets. For example, we recognize production income when crops are harvested or a cow is born or gains a certain amount of weight. Biological assets are unharvested crops, heads of cattle and dairy cows. Agricultural produce such as harvested crops, beef and milk are the harvested product of biological assets.

Sales. We recognize revenue on sales of crops, beef cattle and milk when persuasive evidence of an arrangement exists, delivery has occurred, the price is fixed or determinable and collectability is reasonably assured.

From time to time we sell properties in order to benefit from real estate appreciation opportunities. We record sales of farmlands under the applicable method of accounting and do not recognize such sales until (i) the sale is consummated, (a sale is not considered consummated until (a) the parties are bound by the terms of a contract, (b) all consideration has been exchanged, (c) any permanent financing for which the seller is responsible has been arranged and (d) all conditions precedent to closing have been performed); (ii) we determine that the buyer s initial and continuing investments in the property being sold are adequate to demonstrate its commitment to pay for the property (adequacy is measured by its financial capacity and its structure compared with the sale value of the property); (iii) the corresponding receivable is not subject to future subordination (our receivable will not be placed in or occupy a lower rank, class or position with respect to other obligations of the buyer) and (iv) we have transferred to the buyer the usual risks and rewards of ownership and have no continuing substantial involvement in the property.

Real Estate Business

We primarily derive our revenues from domestic office space and shopping center leases and services operations, from the development and sale of properties, from consumer financing operations and from hotel operations. This section reflects our revenue recognition policies and those of the subsidiaries controlled by and subject to common control with us.

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Development and sale of properties. We record revenue from the sale of properties when all of the following criteria are met:

(a) the sale has been consummated (a sale is not considered consummated until (i) the parties are bound by the terms of a contract, (ii) all consideration has been exchanged, (iii) any permanent financing for which the seller is responsible has been arranged and (iv) all conditions precedent to the closing have been performed);

(b) we determine that the buyer s initial and continuing investments are adequate to demonstrate a commitment to pay for the property (the adequacy of a buyer s initial investment is measured by (i) its composition and (ii) its size compared with the sales value of the property);

(c) our receivable is not subject to future subordination (our receivable will not be placed in or occupy a lower rank, class or position with respect to other obligations of the buyer); and

(d) we have transferred to the buyer the risk and rewards of ownership and does not have a continuing involvement in the property.

We generally enter into purchase and sale agreements with purchasers of units in our residential development properties prior to the commencement of construction. Pursuant to this practice, we initiate our marketing and sales efforts on the basis of already-commissioned architectural designs and model units. As a general rule, purchasers pay a booking charge for the units and subsequently enter into fixed price purchase and sale agreements. The balance of the purchase price is due upon delivery of the constructed and completed unit.

Construction of such residential development properties is done pursuant to turn-key contracts with major Argentine and South American construction companies that provide for construction to be completed within a prescribed period and budget, subject to customary exceptions.

We use the percentage-of-completion method of accounting with respect to sales of development properties under construction effected under fixed-priced contracts. Under this method, revenue is recognized based on the ratio of costs incurred to total estimated costs applied to the total contract price. We do not commence revenue and cost recognition until such time as the decision to proceed with the project is made and construction activities have begun.

The percentage-of-completion method of accounting requires management to prepare budgeted costs (i.e., the estimated costs of completion) in connection with sales of properties and/or units. All changes to estimated costs of completion are incorporated into revised estimates during the contract period.

Under this method of accounting, revenues for work completed may be recognized in the statement of income prior to the period in which actual cash proceeds from the sale are received. In this situation, a deferred asset is recorded. Alternatively, and as is more common for us, where property and/or unit purchasers pay us an advance down-payment and monthly cash installments prior to the commencement of construction, a liability is recorded. This is recorded as a customer advance in the financial statements.

Leases and services from office and other non-shopping center rental properties. We account for our leases with tenants as operating leases. We charge tenants a base rent on a monthly basis. We recognize rental income on a straight-line basis over the term of the leases.

Leases and services from shopping center operations. We account for our leases with tenants as operating leases. We generally charge tenants a rent which consists of the higher of (i) a monthly base rent (the Base Rent) and (ii) a specified percentage of the tenant s monthly gross retail sales (the Percentage Rent) (which generally ranges between 4% and 10% of tenant s gross sales). Furthermore, pursuant to the rent escalation clause in most leases, the tenant s Base Rent generally increases between 7% and 12% each year during the term of the lease. Certain of our lease agreements contain provisions which provide for rents based on a percentage of sales or based on a percentage of sales volume above a specified threshold. We determine the compliance with specific targets and calculate the additional rent on a monthly basis as provided for in the contracts. Thus, we do not recognize contingent rents until the required thresholds are exceeded.

Our lease agreements vary from 36 to 120 months. Law No. 24,808 provides that tenants may rescind commercial lease agreements after the initial six months, upon not less than 60 days written notice, subject to penalties of one and a half months rent if the tenant rescinds during the first year of its lease, and one month of rent if the tenant rescinds after the first year of its lease.

We also charge our tenants a monthly administration fee, prorated among the tenants according to their leases, which varies from shopping center to shopping center, relating to the administration and maintenance of the common area and the administration of contributions made by tenants to finance promotional efforts for the overall shopping centers operations. We recognize administration fees monthly when earned. In addition to rent, we generally charge tenants admission rights. Admission rights are non-refundable admission fees that tenants may be required to pay upon entering into a lease or upon lease renewal. An admission right is normally paid in one lump sum or in a small number of monthly installments. We recognize admission rights using the straight-line method over the life of the respective lease agreements. Furthermore, the lease agreements generally provide for the reimbursement of real estate taxes, insurance, advertising and certain common area maintenance costs. These additional rents and tenant reimbursements are accounted for on the accrual basis.

We also derive revenues for parking lot fees charged to visitors. We recognize parking revenues as services are performed.

Consumer financing. We derive revenues from consumer financing transactions with credit cards which primarily are comprised of (i) merchant discount fees which are recognized when transactional information is received and processed by us; (ii) data processing services which consist of processing and printing cardholders account statements, and which are recognized as services are provided; (iii) life and disability insurance charges to cardholders which are recognized on an accrual basis and (iv) income from interest arising from financing and loan activities.

Hotel operations. We recognize revenues from occupation of rooms, catering, and restaurant services as earned at the close of each business day.

Investments in Certificates of participation (CPs)

APSA enters into ongoing revolving-period securitization programs, through which Tarshop, a majority-owned subsidiary of APSA, transfers credit card receivables to the trust in exchange for cash and retained interests in the trust.

CPs are carried at their equity value based on financial statements issued by the trusts, less allowances for impairment if the carrying value exceeds their estimated recoverable value and classified as investments.

We believe that this accounting policy is a critical accounting policy because fair values are based on estimates using other valuation techniques, such as discounting estimated future cash flows using a rate commensurate with the risks involved or other acceptable methods. These techniques involve uncertainties and are significantly affected by the assumptions used and the judgments made regarding prepayments, discount rates, estimates of future cash flows and future expected loss experience. Changes in these assumptions could significantly affect these estimates. Derived fair value estimates cannot be substantiated by comparison to independent markets and, in many cases, could not be realized in an immediate sale of the instrument. Also, because of differences in methodologies and assumptions used to estimate fair value, APSA s fair values should not be compared to those of other companies.

Investments in affiliates and business combinations

We use the equity method of accounting for investments in related companies in which we have significant influence (including BrasilAgro and IRSA as regards the latter, for the fiscal years ended June 30, 2008 and 2007). IRSA s critical accounting policies as of such dates include provisions on allowances and contingencies, impairment of long-lived assets, accounting for debt restructuring and accounting for deferred income taxes and tax assets.

As of June 30, 2009, investments in subsidiaries and affiliates amounted to Ps.828.2 million, representing 13.9% of our total consolidated assets.

BrasilAgro

As of June 30, 2009, we owned 19.14% of BrasilAgro and had the ability to exercise significant influence over this company.

We value our investment in BrasilAgro under the equity method of accounting because of: (a) our capacity to affect the operational and financial decisions due to the fact that (i) in accordance with BrasilAgro s by-laws, we are entitled to appoint three of BrasilAgro s nine directors (including the chairman of its board of directors every other two years), (ii) three directors are designated by BrasilAgro s other shareholders and (iii) the remaining three are independent directors appointed jointly by all shareholders, and (b) our rights under the shareholders agreement among us, Tarpon Agro LLc, and Tarpon Investimentos S.A., who were holders of an aggregate 16.4% interest in the stock capital and voting shares of BrasilAgro as of June 30, 2009. Under the terms of this shareholders agreement, the signatories have agreed to vote together at shareholders meetings with respect to matters related to proposals to change directors and administrators fees, increases of capital stock and declaration of dividends, among other issues. During fiscal year 2009, we acquired 2,776,000 shares issued by BrasilAgro in the market. As a result of this acquisition, we owned a 19.14% interest in BrasilAgro as of June 30, 2009.

Acquisition of equity investees

Significant acquisitions of companies were recorded in line with the acquisition method set forth in Technical Resolution (RT) No. 18. All assets and liabilities acquired from independent third parties were adjusted to show their fair value. We identify the assets and liabilities acquired, including intangible assets such as: lease contracts acquired for values higher or lower than market value; costs incurred in entering into current lease contracts (the latter being the market cost that we avoid paying for acquiring lease contracts in operation), the value of brands acquired, the value of deposits associated with the investment in Banco Hipotecario, and the intangible value of relationships with customers.

The process of identification and the related determination of fair values requires complex judgments and significant estimates.

We use the information contained in valuations estimated by independent appraisers as the primary basis for assigning the price paid to the land, buildings, shopping centers, inventories, and hotels from the companies acquired. The amounts assigned to all the other assets and liabilities are based on independent valuations or on our own analysis of comparable assets and liabilities. The fair value of tangible assets acquired considers the property value as if it were unfurnished.

Under the terms of RT No. 21, if the value of the tangible and intangible assets and liabilities identified exceeds the price paid, the intangible assets acquired are not recognized as they would give rise to an increase in negative goodwill at the time of acquisition. Moreover, as concerns the negative goodwill generated, the portion related to expected future expenses or losses of the acquired companies will be recognized in the results of the same periods in which such expenses or losses occur or are allocated. The portion not related to expected future expenses or losses of the acquired companies will be treated as follows: (i) the amount that does not exceed the interest of the investor company over the fair values of identifiable non-monetary assets of the purchased companies will be recognized in income systematically over a term equal to the weighted average of the remaining useful life of the identifiable assets of the purchased companies that are subject to depreciation; (ii) the amount that exceeds the fair values of identifiable non-monetary assets of the purchased companies will be recognized in income at the moment of purchase.

If the price paid exceeds the fair value of tangible and intangible assets and liabilities identified, the excess is considered as goodwill.

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Moreover, upon defining the useful live of the goodwill the following factors have been considered: (i) the nature and foreseeable life of the acquired businesses; (ii) the stability and foreseeable life of the relevant industry segment; (iii) the effects caused on the acquired business by the obsolescence of products, changes in demand and other economic factors; (iv) the feasibility of maintaining the level of disbursements necessary for obtaining the future economic benefits from the acquired business; and (v) the period of control over the acquired business and the legal or contractual provisions affecting its useful life.

Based on these factors, the Company has estimated that it is not possible to determine a specific useful life for the most significant goodwill generated by the application of the acquisition method set forth in RT No. 18, and therefore it has determined that they have an indefinite useful life.

In accordance with the provisions of RT No. 18, if the Company determines that any goodwill has an indefinite useful life, it shall not compute its depreciation and shall compare it against its recoverable value at the closing of each fiscal year to verify whether its value has been impaired, charging impairment losses to the income for the fiscal year in which they were determined.

Useful lives of real estate assets

We are required to make subjective assessments as to the useful lives of our properties for purposes of determining the amount of depreciation to reflect on an annual basis with respect to those properties. These assessments have a direct impact on our net income. If we would lengthen or shorten the expected useful life of a particular asset, it would be depreciated over more or less years and result in less or more depreciation expense and higher or lower net income.

Provisions for allowances and contingencies

We provide for losses relating to mortgage and accounts receivable. The allowance for losses is based on the management s assessment of various factors, including the customers credit risk, historical trends and other information. Although our management uses the information available to make assessments, future adjustments to the allowance may be necessary if future economic conditions differ substantially from the assumptions used at the time of the determination. Our management has considered all events and/or transactions subject to reasonable and standard estimation procedures. The consolidated financial statements reflect these considerations.

We have certain contingent liabilities with respect to existing or potential claims, lawsuits and other proceedings, including those involving labor and other matters. We accrue liabilities when it is probable that future costs will be incurred and such costs can be reasonably estimated. Such accruals are based on developments to date, our estimate of the outcomes of these matters and our lawyers experience in contesting, litigating and settling other matters. As the scope of the liabilities becomes better defined, there may be changes in the estimates of future costs, which could have material effect on our future results of operations and financial condition or liquidity.

We believe that this accounting policy is a critical accounting policy because if the future conditions were materially different from the assumptions used to make the assessments, it might cause a material effect on our consolidated financial statements.

Impairment of long-lived assets

We periodically evaluate the carrying value of our long-lived assets for impairment when events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. We consider the carrying value of a long-lived asset to be impaired when the expected cash flows from the asset may be separately identified and are lower than their carrying value. In such case, a loss would be recognized based on the amount that the carrying value exceeds the long lived asset s market value. We determine market value principally by using valuations made by independent valuation experts.

A previously recognized impairment loss is reversed when there is a subsequent change in estimates used to compute the fair market value of the asset. In that event, the new carrying value of the asset is the lower of its fair market value or the net carrying value the asset would have had if no impairment had been recognized. Both the impairment charge and the impairment reversal are recognized in earnings.

Agricultural Business

We believe that the accounting policy concerning the impairment of long-lived assets is a critical accounting policy, because considerable judgment is necessary to determine the fair value of farms. Although farms are non-depreciable assets, in determining these values we consider: (i) their geographical location and climate; (ii) the conditions and features of the soil; (iii) the kind and quality of any improvements made; and (iv) their exploitation and return potential.

Real Estate Business

We believe that the accounting estimate related to asset impairment is a critical accounting estimate because:

- it is highly susceptible to change from period to period because it requires company management and/or independent appraisers to make assumptions such as, future sales and cost of sale, future vacancy rates and future prices, which requires significant adjustments because actual prices and vacancy rates have fluctuated in the past and are expected to continue to do so; and

- the impact that recognizing an impairment would have on assets reported on IRSA s balance sheet as well as on the results of its operations could be material. Independent evaluations of the future sales prices and future vacancy rates require considerable judgments because actual sales prices and occupancy rates have fluctuated in the past and are expected to continue fluctuating in the future.

As of June 30, 2002, IRSA had revised its assets in all segments to detect impairments resulting from the continued deterioration of the Argentine economy. Therefore, as of June 30, 2002, IRSA had recognized an impairment of Ps.140.6 million. During fiscal years 2003, 2005 and 2008 IRSA recognized impairment losses for a total of Ps.14.0 million, Ps.0.2 million and Ps.0.03 million, respectively. As a result of the increase in the market values of assets for which IRSA had recognized impairment losses, during the fiscal years ended June 30, 2003, 2004, 2005, 2006, 2007, 2008 and 2009 IRSA partially reversed impairment losses, and recognized gains for Ps.25.4 million, Ps.63.0 million, Ps.28.2 million, Ps.12.6 million, Ps.2.6 million, Ps.2.7 million and Ps.1.1 million, respectively.

The fair market value of IRSA s office and rental properties was determined following the rent value method, taking into consideration each property s current cash flow, its vacancy amounts and tax impact, and the cash flow was projected for the remaining useful live of each property considering a lease growth rate ranging from 6% to 8% per annum and a projected stable vacancy of 5%. In addition, comparability with other properties in the market and its historic vacancy rates were considered. The price per square meter of IRSA s properties varies according to the category and type of building, and to each property s idiosyncratic traits. Vacancy rates continue to be extremely low, with rates of 2% over the stock. Moreover, IRSA currently believes that a significant amount of new office space, comparable to its existing buildings, is not likely to become available in the City of Buenos Aires during the next two or three fiscal years. All discounted cash flow exercises were made considering the impact of depreciation and income tax, i.e., net of taxes. For buildings IRSA considers to be Class A (those having the best location and condition) the average price per square meter used was between Ps.83 and Ps.135 per square meter per month, while for buildings IRSA considers to be Class A/B (having very good location and/or condition) the average price was between Ps.55 and Ps.72 per square meter per month, and for buildings IRSA considers Class B/C (those having good location and/or condition) it was Ps.37 per square meter per month.

With respect to IRSA s Hotel Operations segment, the discounted cash flows methodology was applied by taking the forecasts of each hotel s cash flow over its remaining useful life and discounting such estimated amounts at rates according to risk, location and other relevant factors. The cash flows to be discounted considered revenues per room, per guest, per additional charge as well as the fixed

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and variable expenditures related to the transaction. Rate increases and occupancy variations were estimated based on the information supplied by each hotel s management and comparing them to industry-specific data in the local market. IRSA believes that tourism activities and related industries in Argentina have increased at a lower rate than in past years, by 8% to 12% over the last 12 months, above worldwide figures, according to inbound traveling and spending statistics provided by the National Tourism Agency. Seasonal or exceptional issues that adversely impacted on the result of hotel occupancy rates for the last year were not considered in the analyses.

Shopping centers were valued according to the rent value method. IRSA calculates discount rates considering each property s location, its comparability with other properties in the market, its historic rental income, vacancy rates and cash flow. The average discount rates IRSA used ranged between 14.5% and 16.5%, the average price per leasable square meter was Ps.7,043 and the average vacancy rate was calculated taking into consideration a permanent vacancy rate of 5%. As in the case of offices, cash flows of results after income taxes and depreciation were considered, analyzing the periods for the remaining useful life of each asset.

IRSA uses the open market method for determining the fair market value of its land reserves and inventories. IRSA estimates the value of each site by taking into consideration the value of the property according to its surface area and location and its construction potential, as well as the availability of inventory.

Intangible assets concession rights

We recorded the concession from the Province of Salta, in northern Argentina, received upon our acquisition of Agropecuaria Anta S.A. (Agropecuaria Anta) as an amortizable intangible asset at its fair value. Concession rights are amortized over the life of the concession, which was set at 35 years, with an option to extend it for an additional 29-year period. Amortization began at the time of the start-up of operations, which occurred during the fiscal year ended June 30, 2008.

This intangible asset will be tested for impairment whenever events or circumstances indicate that impairment may have occurred. If the carrying amount of an intangible asset exceeds its fair value based on future undiscounted cash flows, an impairment loss will be recognized. The amount of the impairment loss to be recorded would be based on the excess of the carrying amount of the intangible asset over its future discounted cash flows. Judgment is used in assessing whether the carrying amount of intangible assets is not expected to be recoverable over their remaining useful lives. The determination of the fair value requires significant management judgment including estimating future production and sales volumes, selling prices and costs, changes in working capital, investments in property and equipment and the selection of an appropriate discount rate. Sensitivities of these fair value estimates to changes in assumptions for production and sales volumes, selling prices and costs are also tested.

Debt restructuring

Extension of the APSA s Convertible Notes maturity date.

On August 20, 2002, APSA issued an aggregate amount of US$50.0 million of uncollateralized convertible notes in exchange for cash and the settlement of certain liabilities. The Convertible Notes accrue interest at a fixed annual interest rate of 10% (payable semiannually), are convertible at any time at the option of the holder into common shares (at a conversion rate that consists in the higher of the result of dividing APSA shares par value (Ps.0.1) by the exchange rate and US$0.0324) and originally matured on July 19, 2006. On May 2, 2006 a Meeting of Alto Palermo s Noteholders resolved to extend the maturity date of the Convertible Notes through July 19, 2014, leaving the remaining terms and conditions unchanged.

Argentine GAAP requires that an exchange of debt instruments between, or a modification of a debt instrument by, a debtor and a creditor shall be deemed to have been accomplished with debt instruments that are substantially different if the present value of the cash flows under the terms of the new debt instrument is at least 10% different from the present value of the remaining cash flows under the terms of the original instrument. The new debt instrument should be initially recorded at fair value, and that amount should be used to determine the extinguishment gain or loss to be recognized.

Fair value should be determined by the present value of the future cash flows to be paid under the terms of the new debt instrument discounted at a rate commensurate with the risks of the debt instrument and time value of money. If it is determined that the original and new debt instrument are not substantially different, then a new effective interest rate is to be determined based on the carrying amount of the original debt instrument and the revised cash flows.

We believe that the accounting policy related to the extension of Alto Palermo s Convertible Notes maturity date is a critical accounting policy because it required its management to make an estimate of the present value of the future cash flows, using an estimated discount rate which is highly susceptible to changes from period to period, and as a result the impact on the fair market value of our debt instruments could be material. Based on the analysis performed, we concluded that the instruments were not substantially different and accordingly the original Convertible Notes were not considered to have been extinguished.

Derivative instruments

We record all derivative instruments as assets or liabilities on our balance sheet at fair value. We record changes in the fair value of derivatives in the statement of income.

Deferred income tax

We record income taxes using the deferred tax liability method. Accordingly, deferred tax assets and liabilities are recognized for the future tax consequence attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax basis. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recorded or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment date. Technical Resolution No. 17 requires companies to record an impairment allowance for that component of net deferred tax assets which is not recoverable. We have treated the differences between the price-level restated amounts of assets and liabilities and their historical basis as permanent differences for deferred income tax calculation purposes.

At year-end there are temporary net liabilities (tax liabilities) mainly originated in the beef cattle valuation and the sale and replacement of fixed assets. Our Management has made estimates that allow us to recognize this deferred tax.

We believe that the accounting estimate related to deferred income tax is a critical accounting estimate because:

it is highly susceptible to change from period to period because it requires management to make assumptions, such as future revenues and expenses, exchange rates and inflation, among others; and

the impact that calculating income tax using this method would have on assets or liabilities reported on our consolidated balance sheet as well as on the income tax expense reported in our consolidated statement of income could be material.

Minimum presumed income tax (MPIT)

We calculate the minimum presumed income tax provision by applying the current 1% rate on computable assets at the end of the year. This tax complements the income tax. Our tax obligation each year will coincide with the highest amount due under either of these two taxes. However, if the minimum presumed income tax provision exceeds income tax in a given year, the amount in excess of income tax can be offset against income tax arising in any of the following ten years.

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We have recognized the minimum presumed income tax provision paid in previous years as a credit as we estimate that it will offset future years income tax.

We believe that the accounting policy relating to the minimum presumed income tax provision is a critical accounting policy because it requires management to make estimates and assumptions with respect to our future results that are highly susceptible to change from period to period, and as such the impact on our financial position and results of operations could be material.

Principal differences between Argentine GAAP and U.S. GAAP

The principal differences, other than inflation accounting, between Argentine GAAP and U.S. GAAP are related to the following:

- Effect of U.S. GAAP adjustments on equity investees;
- Valuation of inventories;
- Deferred income tax;
- Elimination of gain on acquisition of minority interest;
- Available-for-sale securities;
- Accounting for convertible notes;
- Effect of U.S. GAAP adjustments on management fee;
- Reversal of gain recognized for assets held for sale;
- Accounting for Warrants;
- Accounting for uncertainty in income taxes;
- Depreciation of fixed assets;
- Pre-operating and organization expenses;
- Mortgage payable with no stated interest rate;

Accounting for IRSA step acquisition;

Securitization accounting;

Present-value accounting;

Reversal of previously recognized impairment losses;

Accounting for real estate barter transactions;

Reversal of the gain from valuation of real estate inventories at net realizable value;

Appraisal revaluation of fixed assets;

Software developed or obtained for internal use

Reversal of capitalized foreign exchange differences;

Debtor s accounting for a modification of APSA convertible debt instruments;

Revenue recognition deferred commissions;

Revenue recognition scheduled rent increase;

Deferred revenues insurance & fees;

Minority interest;

Amortization of fees related to Series II of APSA Non Convertible Notes;

Derecognition of put option; and

Accounting for the sale of subsidiary s assets

In addition, certain other disclosures required under U.S. GAAP have been included in the U.S. GAAP reconciliation. See Note 30 to our audited consolidated financial statements included else where in this annual report.

Net income under Argentine GAAP for the years ended June 30, 2009, 2008 and 2007 was approximately Ps.124.6 million, Ps.22.9 million and Ps.49.4 million, respectively, compared to approximately Ps.116.6 million, Ps.16.4 million and Ps.49.3 million, respectively, under U.S. GAAP. Shareholders equity under Argentine GAAP as of June 30, 2009 and 2008, was Ps.1,812.9 million and Ps.1,762.3 million, respectively, compared to Ps.1,535.3 million and Ps.1,515.6 million, respectively, under U.S. GAAP.

Segment Information

We are required to disclose segment information in accordance with RT No. 18. RT No. 18 establishes standards for reporting information about operating segments in our Annual Consolidated Financial Statements and requires reporting of selected information about operating segments in interim financial reports issued to shareholders. Operating segments are components of a company about which separate financial information is available that is regularly evaluated by the board of directors, which is in charge of adopting operating decisions on how to allocate resources and assets. The statement also establishes standards for related disclosures about a company s products and services, geographical areas and major customers.

During the fiscal year ended June 30, 2009, we acquired directly or indirectly 78,181,444 additional shares of IRSA. Our equity interest in IRSA is 55.64% as of June 30, 2009. We started consolidating the accounts and results of operations of IRSA as from October 1, 2008. Our consolidated financial information for periods prior to October 1, 2008 does not include the accounts of IRSA on a consolidated basis. Therefore, the income statement, balance sheet and cash flow data as of June 30, 2009 and for the year then ended is not comparable to prior periods.

As a result of the consolidation, for the year ended June 30, 2009, we review the consolidated results of operations divided into two main businesses: Agricultural and Real Estate businesses. These businesses are further segmented as described below. Comparative information has not been restated due to this change in consolidation.

For the year ended June 30, 2009, we also introduced certain changes to the way we regularly evaluate businesses performance and accordingly applied those changes retroactively for comparative purposes, as applicable. Those changes were as follows:

During the fiscal year ended June 30, 2009, we started operations in international markets other than Brazil, i.e. Bolivia and Paraguay, mainly dedicated to crop activities within the Agricultural Business. Accordingly, the business segment Crops is further divided between Local (Argentina) and International (Bolivia and Paraguay) operations. This change has not affected prior year information;

Our international operations for the years ended June 30, 2008 and 2007 were solely concentrated in Brazil through our equity interest of 14.39% in BrasilAgro which were reviewed as part of the Non-Operating segment. Our Brazilian operations are still conducted through our increased 19.14% equity interest in BrasilAgro for the year ended June 30, 2009;

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One of the cornerstones of our agricultural business is the acquisition, transformation and ultimate sale of farmland. The transformation of farmland is accomplished through the various activities performed in each of our business segments within the agricultural operations. From time to time we sell properties to profit from land value appreciation and which, in the judgment of management, are surplus to our primary operations. For the year ended June 30, 2009, we started reviewing this information as a separate business segment within the agricultural business. This change has been applied retroactively to all years presented;

We also changed the way the performance of the agricultural business segments is evaluated. As from the year ended June 30, 2009, we include administrative expenses affecting segment gains or losses. This change has been applied retroactively to all years presented.

Following is a description of the main segments within our Agricultural and Real Estate businesses.

Agricultural Business

Our agricultural operations are conducted through seven business segments organized primarily on a product-line basis, with each segment offering a variety of different but interrelated products. Our agricultural operations are subject to various risks, including but not limited to market prices for commodities, weather conditions and environmental concerns. One of our cornerstones is the transformation of farmland through our agricultural activities. Ultimately we may sell farmland to profit from land value appreciation opportunities and which, in the judgment of management, are surplus to our primary operations. Gains on the sale of farmland properties are presented in Sales of farmlands in the consolidated statement of income.

For all the years discussed our principal operations were located in Argentina, our country of domicile. For the years ended June 30, 2008 and 2007, our international operations were concentrated in Brazil through our equity investment in BrasilAgro. For the year ended June 30, 2009, we continued our business in Brazil while we expanded our international operations to Bolivia and Paraguay.

Our business segments within the agricultural business are as follows:

The Crops Segment includes the planting and harvesting and sale of fine and coarse grains and oilseeds, including wheat, corn, soybeans and sunflowers;

The Beef Cattle Segment consists of the raising and fattening of beef cattle from our own cattle stock and the purchase and fattening of beef cattle for sale to meat processors;

The Milk Segment consists of the production of milk for sale to dairy companies;

The Feed Lot Segment includes the cattle feeding operation. See below for changes in presentation within this segment across the years presented.

Others Segment consists of services and leasing of farmlands to third parties and brokerage activities.

Sales of Farmlands Segment consists of gains from the sale of farmland to profit from land value appreciation opportunities as part of the land transformation objectives;

Non-Operating Segment includes gains or losses from equity investees (excluding gain or loss from Cactus) and depreciation for corporate assets.

Through December 31, 2006, the Feed Lot Segment included the proportionate share of the cattle feedlot operations through our joint venture in Cactus. The performance of the Feed Lot Segment was evaluated based on gross profit less selling expenses plus unrealized gains or losses on inventories. As from January 1, 2007, our equity interest in Cactus decreased to 24% and was deconsolidated. Thus, gains or losses from the Feed Lot Segment operations were shown as gains or losses from equity investees for the years ended June 30, 2009, 2008 and 2007. However, the gains or losses from Cactus, as an equity investee, were included within the Feed Lot Segment and evaluated separately from the other gains or losses from equity investees included in the Non-Operating Segment.

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On June 30, 2009, we increased our equity interest in Cactus to 48%. The results of operations for the year ended June 30, 2009 were evaluated as indicated above.

We evaluate the performance of our agricultural business segments based on gross income from agricultural production plus gross income from sales - including sales of products and farmland- less selling and administrative expenses plus unrealized gains or losses on inventories. The column titled Sub-Total Agricultural Business represents the addition of the segment gains or losses from the Crops (Domestic and International, as applicable), Beef Cattle, Milk, Feedlot (as applicable), Others and Sales of Farmlands Segments. Excluded from total segment gains or losses are the gains or losses from the other equity investees included in the Non-Operating Segment.

Accounting policies of the reportable segments within the agricultural business are the same as those described in the summary of significant accounting policies to our Consolidated Financial Statements. Intercompany transactions between segments, if any, are eliminated.

Real Estate Business

Our real estate operations are conducted through our subsidiary IRSA. The real estate business is further segmented as follows:

Development and Sale of Properties: this segment includes the operating results of the construction and ultimate sale of residential buildings business.

Office and Other Non-Shopping Center Rental Properties: this segment includes the operating results of the lease and service revenues of office space and other non-retail building properties from tenants.

Shopping Centers: this segment includes the operating results of the shopping centers principally comprised of lease and service revenues from tenants.

Consumer Financing: this segment includes the origination of loans and credit card receivables and related securitization programs.

Hotel Operations: this segment includes the operating results of hotels principally comprised of room, catering and restaurant revenues.

Financial Operations and Others: this segment primarily includes revenues and associated costs generated from the sale of equity securities, other securities-related transactions and other non-core activities. This segment also includes the gains or losses on the equity investees.

For all years presented the principal operations of our real estate business were located in Argentina, the country of domicile of IRSA. In 2009, IRSA acquired a 30% equity interest in Metropolitan 885 Third Avenue LLC, constituing a real estate operation outside of Argentina. The results of operations of this investment were evaluated as part of the Financial Operations and Others Segment.

We evaluate the performance of our real estate business segments based on gross income from sales real estate business plus gains from recognition of inventories at net realizable value, gains from operations and holding of real estate assets and gains/losses from retained interests in securitized receivables less selling and administrative expenses. The column titled Sub-Total Real Estate Business represents the addition of the segment gains or losses from the Development and Sale of Properties, Office and Other Non-Shopping Center Rental Properties, Shopping Centers, Consumer Financing, Hotel Operations and Financial Operations and Others.

Accounting policies of the reportable segments within the real estate business are the same as those described in the summary of significant accounting policies our Consolidated Financial Statements. Intercompany transactions between segments, if any, are eliminated.

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Financial information for each segment follows:

Year ended June 30, 2009:

Statement of income data

	Agricultural Business								
	Crops							**Non Operating (i)**	**Subtotal Agricultural business**
	Local	**International**	**Beef Cattle**	**Milk**	**Feed lot**	**Others**	**Sales of Farmlands**		
Agricultural production income	Ps. 118,582	Ps. 15,597	Ps. 18,120	Ps. 20,213	Ps.	Ps.	Ps.	Ps.	Ps. 172,512
Cost of agricultural production	(159,109)	(16,807)	(16,241)	(18,286)					(210,443)
Gross (loss) income from agricultural production	(40,527)	(1,210)	1,879	1,927					(37,931)
Sales (iii)	147,680	16,783	17,646	19,270		36,045	1,959		239,383
Cost of sales (iv)	(130,054)	(14,915)	(16,237)	(19,316)		(24,210)	(94)		(204,826)
Gross income from sales	17,626	1,868	1,409	(46)		11,835	1,865		34,557
(Loss) Gross profit	(22,901)	658	3,288	1,881		11,835	1,865		(3,374)
Selling expenses	(18,676)	(2,406)	(1,323)	(328)		(2,474)			(25,207)
Administrative expenses	(16,938)	(3,018)	(9,036)	(1,620)		(1,349)	(140)		(32,101)
Gain from recognition of inventories at net realizable value									
Unrealized (loss) / gain on inventories	(691)	(183)	(860)			398			(1,336)
Net (loss) in credit card trust Tarshop									
(Loss) gain on equity investees					(2,780)			(38,216)	(2,780)
Segment (loss) gain	(59,206)	(4,949)	(7,931)	(67)	(2,780)	8,410	1,725		(64,798)
Operating Margin (ii)	(22.2%)	(15.3%)	(22.2%)	(0.2%)		23.3%	88.1%		(15.7%)
Depreciation	(3,799)	(105)	(1,408)	(615)		(1,066)		(835)	(7,828)

Balance Sheet Data									
Assets	Ps. 421,531	Ps. 250,773	Ps. 208,973	Ps. 44,645	Ps. 22,982	Ps. 6,223	Ps. 9,121	Ps. 138,783	Ps. 1,103,031

	Real Estate Business							
	Development and sale of properties	**Office and others**	**Shopping Centers**	**Hotel operations**	**Consumer financing**	**Financial operations and others**	**Subtotal Real Estate business**	**Total**
Agricultural production income	Ps.	Ps.	Ps.	Ps.	Ps.	Ps.	Ps.	Ps. 172,512
Cost of agricultural production								(210,443)
Gross (loss) income from agricultural production								(37,931)
Sales (iii)	278,107	127,339	305,127	116,672	188,035		1,015,280	1,254,663
Cost of sales (iv)	(170,529)	(25,932)	(87,097)	(74,240)	(78,125)		(435,923)	(640,749)
Gross income from sales	107,578	101,407	218,030	42,432	109,910		579,357	613,914
(Loss) Gross profit	107,578	101,407	218,030	42,432	109,910		579,357	575,983
Selling expenses	(1,591)	(9,948)	(24,153)	(12,048)	(139,535)		(187,275)	(212,482)
Administrative expenses	(16,804)	(26,221)	(32,946)	(26,931)	339		(102,563)	(134,664)
Gain from recognition of inventories at net realizable value	9,237						9,237	9,237
Unrealized (loss) / gain on inventories	(145)	1,073					928	(408)
Net (loss) in credit card trust Tarshop					(22,263)		(22,263)	(22,263)
(Loss) gain on equity investees	1,833		30			88,327	90,190	87,410
Segment (loss) gain	100,108	66,311	160,961	3,453	(51,549)	88,327	367,611	302,813
Operating Margin (ii)	36.0%	52.1%	52.8%	3.0%	(27.4%)		36.2%	21.2%
Depreciation	(643)	(25,772)	(66,481)	(14,082)	(5,133)		(112,111)	(119,939)
Balance Sheet Data								
Assets	Ps. 540,358	Ps. 1, 036, 959	Ps. 1,915,268	Ps. 232, 848	Ps. 174,865	Ps. 972,727	Ps. 4,873,025	Ps. 5,976,056

(i) Not included in the segment gain.
(ii) This item aggregates segment gain divided by the sum of production income and sales.
(iii) This item aggregates sales of crops, beef cattle, milk, others and farmlands disclosed separately in the consolidated statements of income.
(iv) This item aggregates costs of crops, beef cattle, milk, others and farmlands disclosed separately in the consolidated statements of income.

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Year ended June 30, 2008:

Statement of income data

	Agricultural Business							
	Crops	**Beef Cattle**	**Milk**	**Feed lot**	**Others**	**Sales of Farmlands**	**Non Operating (i)**	**Total**
Production income	Ps. 117,474	Ps. 23,927	Ps. 18,420	Ps.	Ps.	Ps.	Ps.	Ps. 159,821
Cost of production	(82,151)	(19,316)	(14,283)					(115,750)
Gross income from agricultural production	35,323	4,611	4,137					44,071
Sales (iii)	86,870	32,432	17,493		25,786	23,020		185,601
Cost of sales (iv)	(75,949)	(30,038)	(17,630)		(17,379)	(3,006)		(144,002)
Gross income (loss) from sales	10,921	2,394	(137)		8,407	20,014		41,599
Gross profit	46,244	7,005	4,000		8,407	20,014		85,670
Selling expenses	(11,241)	(1,379)	(163)		(1,714)			(14,497)
Administrative expenses	(10,913)	(11,425)	(1,696)		(2,070)			(26,104)
Gain from recognition of inventories at net realizable value						886		886
Unrealized (loss) / gain on inventories	(11,624)	8,535			746			(2,343)
(Loss) gain on equity investees				(474)			38,891	38,417
Segment gain (loss)	12,466	2,736	2,141	(474)	5,369	20,900		43,138
Operating Margin (ii)	6.1%	4.9%	6.0%		20.8%	90.8%		12.5%
Depreciation	(3,421)	(1,246)	(165)		(1,025)		(617)	(6,474)
Balance Sheet Data								
Assets	Ps. 299,705	Ps. 165,191	Ps. 37,321	Ps. 10,995	Ps. 13,876	Ps.	Ps. 1,542,672	Ps. 2,069,760

(i) Not included in the segment gain.
(ii) This item aggregates segment gain divided by the sum of production income and sales.
(iii) This item aggregates sales of crops, beef cattle, milk, others and farmlands disclosed separately in the consolidated statements of income.
(iv) This item aggregates costs of crops, beef cattle, milk, others and farmlands disclosed separately in the consolidated statements of income.

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Year ended June 30, 2007:

Statement of income data

	Agricultural Business							
	Crops	**Beef Cattle**	**Milk**	**Feed lot**	**Others**	**Sales of Farmlands**	**Non Operating (i)**	**Total**
Production income	Ps. 72,426	Ps. 19,463	Ps. 10,911	Ps.	Ps.	Ps.	Ps.	Ps. 102,800
Cost of production	(51,538)	(15,050)	(8,477)					(75,065)
Gross income from agricultural production	20,888	4,413	2,434					27,735
Sales (iii)	53,401	31,967	9,731	3,102	12,116	29,872		140,189
Cost of sales (iv)	(47,350)	(30,273)	(9,731)	(2,784)	(6,737)	(7,616)		(104,491)
Gross income from sales	6,051	1,694		318	5,379	22,256		35,698
Gross profit	26,939	6,107	2,434	318	5,379	22,256		63,433
Selling expenses	(7,780)	(1,155)	(78)		(959)			(9,972)
Administrative expenses	(6,377)	(8,327)	(871)	(120)	(933)			(16,628)
Unrealized (loss) / gain on inventories	(3,927)	4,196	845	62				1,176
Gain on equity investees				349			39,950	40,199
Segment gain	8,855	821	2,330	609	3,487	22,256		38,358
Operating Margin (ii)	7.0%	1.6%	11.3%	19.6%	28.8%	74.5%		15.8%
Depreciation	(2,033)	(1,198)	(431)	(126)	(165)		(506)	(4,459)
Balance Sheet Data								
Assets	Ps. 207,607	Ps. 165,295	Ps. 28,955	Ps. 11,166	Ps. 1,736	Ps.	Ps. 657,120	Ps. 1,071,879

(i) Not included in the segment gain.
(ii) This item aggregates segment gain divided by the sum of production income and sales.
(iii) This item aggregates sales of crops, beef cattle, milk, others and farmlands disclosed separately in the consolidated statements of income.
(iv) This item aggregates costs of crops, beef cattle, milk, others and farmlands disclosed separately in the consolidated statements of income.

Additional Information on the Real Estate Business Segments

Allocation of expenses and other income between segments

Allocation of selling expenses to business segments

Selling expenses directly attributable to the Shopping centers, Consumer financing and Hotel operations segments are directly allocated to these segments. These expenses are individually incurred by each segment. All other selling expenses are allocated to the remaining segments based on the expenses incurred by each segment.

Allocation of administrative expenses to business segments

Administrative expenses directly attributable to the Shopping centers, Consumer financing, and Hotel operations segments are directly allocated to these segments. These expenses are incurred individually by these segments. All other administrative expenses are prorated among the Development and sale of properties and the Offices and other non-shopping center rental properties segments based on the percentage of the operating assets and revenues generated by each segment. Accordingly, 35.7% and 64.3% of administrative expenses (excluding expenses directly attributable to the Shopping centers, Consumer financing, and Hotel operations segments) are allocated to the Development and sale of properties and the Offices and other non-shopping center rental properties segments, respectively.

Allocation of results from retained interest in securitized receivables to business segments

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APSA s results from its interest in Tarshop are allocated to the Consumer financing segment.

Allocation of results from operations and holding of real estate assets, net

These results are allocated to the segment that generates them.

Allocation of (loss) gain on equity investees between business segments

(Loss) gain on equity investees is recorded primarily in Financial operations and others.

Cresud s Results of Operations

Effective July 1, 2006, we adopted Technical Resolution No. 22 Agricultural Activities (RT No. 22). RT No. 22 prescribes the accounting treatment, financial statement presentation, and disclosures related to agricultural activity. Agricultural activity is the management by an entity of the biological transformation of living animals or plants (biological assets) for sale, into agricultural produce, or into additional biological assets. RT No. 22 prescribes, among other things, the accounting treatment for biological assets during the period of growth, degeneration, production, and procreation, and for the initial measurement of agricultural produce at the point of harvest. It requires measurement at fair value less estimated point-of-sale costs from initial recognition of biological assets up to the point of harvest, other than when fair value cannot be measured reliably on initial recognition. RT No. 22 requires that a change in fair value less estimated point-of-sale costs of a biological asset be included in profit or loss for the period in which it arises. RT No. 22 also requires that gains or losses arising on initial recognition of agricultural produce at fair value less estimated point-of-sale costs to be included in profit or loss for the period in which it arises. In agricultural activity, a change in physical attributes of a living animal or plant directly enhances or diminishes economic benefits to the entity. RT No. 22 is applied to agricultural produce, which is the harvested product of the entity s biological assets, only at the point of harvest. Accordingly, RT No. 22 does not deal with the processing of agricultural produce after harvest; for example, the processing of milk into cheese.

Biological transformation comprises the processes of growth, degeneration, production, and procreation that cause qualitative or quantitative changes in a biological asset. Biological assets are living unharvested crops, heads of cattle and milking cows. Agricultural produce such as harvested crops, beef, milk and raw materials are the harvested product of biological assets. Biological transformation results in the following types of outcomes: asset changes through (i) growth (an increase in quantity or improvement in quality of an animal or plant), (ii) degeneration (a decrease in the quantity or deterioration in quality of an animal or plant), or (iii) procreation (creation of additional living animals or plants).

The adoption of RT No. 22 did not have an impact in our measurement and recognition of biological transformation. Rather, it changed the format of our Consolidated Income Statement. Under RT No. 22 we break down the components of our costs as separate line items in the Consolidated Income Statement. There was no change in our gross profit for any of the periods presented.

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Prior to the adoption of RT No. 22 gains or losses arising from initial recognition of biological assets and agricultural produce as well as changes in biological assets were included as a deduction from costs of sales. Under RT No. 22 these changes are disclosed separately in our Consolidated Income Statement under the line item titled Production income .

Also, prior to the adoption of RT No. 22, costs directly related to the transformation of biological assets and agricultural produce were also included as an addition to costs of sales. Under RT No. 22, these costs are disclosed separately in our consolidated income statement under the line item titled Cost of production due to the direct relationship to the transformation of biological assets and agricultural produce.

The adoption of RT No. 22 did not affect our recognition of revenue which is included in the line item titled Sales in our consolidated income statement. As a result of the adoption of RT No. 22, our costs of sales show direct costs related to the sales of agricultural produce other than selling expenses. RT No. 22 intends to purport that costs of sales are not significant in agricultural activities while costs of biological transformation into agricultural produce represent the major costs of these activities.

In addition, under RT No. 22, the exhibits entitled Cost of Sales and Cost of Production included in our consolidated financial statements present a reconciliation of changes in the carrying amount of biological assets between the beginning and the end of the relevant periods. This reconciliation includes (a) the gain or loss arising from changes in fair value less estimated point-of-sale costs; (b) increases due to purchases; (c) decreases attributable to sales and biological assets classified as held for sale; (d) increases due to harvest;(e) other changes.

The following terms used herein with the meanings specified:

Agricultural Business

Production Income. We recognize production income when there is a change in biological assets. For example, we recognize production income when crops are harvested or a cow is born or gains a certain amount of weight. Biological assets are living animals or plants, such as unharvested crops, heads of cattle and milking cows. Agricultural produce such as harvested crops, beef, milk and raw materials are the harvested product of biological assets.

Cost of Production. Our cost of production consists of costs directly related to the transformation of biological assets and agricultural produce.

Sales. Our sales consist of revenue on the sales of crops, milk, feed lot, and beef cattle. Sales are recognized when persuasive evidence of an arrangement exists, delivery has occurred, the price is fixed or determinable and collectibility is reasonably assured. Revenue from cattle feeding operations, primarily comprised of feeding, animal health and yardage, and revenue from operating leases and brokerage activities are recognized as services are performed.

Sales of Farmland. Our sales consist of revenue on the sales of farmlands. We record farmland sales under the applicable accounting standards and do not recognize such sales until (i) the sale is consummated (a sale is not considered consummated until: (a) the parties are bound by the terms of a contract, (b) all contract terms and conditions have been considered, (c) any financing for which the seller is responsible has been arranged and (d) all conditions precedent to closing have been performed); (ii) we determine that the buyer s initial and continuing investments in the property being sold are adequate to demonstrate its commitment to pay for the property (the adequacy is measured by its financial capacity and size compared with the sale value of the property); (iii) the corresponding receivable is not subject to future subordination (our receivable will not be placed in or occupy a lower rank, class or position with respect to other obligations of the buyer) and (iv) we have transferred to the buyer the usual risks and rewards of ownership and have no continuing substantial involvement in the property.

Cost of Sales. Our cost of sales consists of its net realizable value.

Cost of Farmland Sales. Our cost of farmland sales consists of its book value and indirect costs related to the disposition of farmlands.

Results from inventory holding and transactions in the Buenos Aires Futures and Options Exchange Market and Chicago Board of Trade (CBOT). Our gain from inventory holding consists of the changes in the carrying amount of biological assets between the beginning and the end of fiscal year and transactions in the Buenos Aires Futures and Options Exchange Market and CBOT.

Real Estate Business

Sales and development of properties: We record revenue from the sale of properties when all of the following criteria are met: (i) the sale has been consummated, (ii) there is sufficient evidence to demonstrate the buyer s ability and commitment to pay for the property, (iii) the corresponding receivable is not subject to future subordination and (iv) we have transferred the property to the buyer.

In addition, we use the percentage-of-completion method of accounting with respect to sales of development properties under construction. Under this method, revenue is recognized based on the ratio of costs incurred to total estimated costs according to budgeted costs. We do not commence revenue and cost recognition until such time as the decision to proceed with the project is made and construction activities have begun. The percentage-of-completion method of accounting requires that our Management to prepare budgeted costs in connection with sales of properties/units. All changes to estimated costs of completion are incorporated into revised estimates during the contract period.

Income from lease and service of offices, shopping centers, hotels, consumer financing and others

Income from lease and service of offices: Revenues from leases are recognized on a straight line basis over the life of the related lease contracts.

Income from admission rights and rental of stores and stands Shopping Centers : Leases with tenants are accounted for as operating leases. Tenants are generally charged a rent, which consists of the higher of (i) a monthly base rent (the Base Rent) and (ii) a specified percentage of the tenant s monthly gross revenues (the Percentage Rent) (which generally ranges between 4% and 10% of tenant s gross revenues).

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Furthermore, pursuant to the rent escalation in most leases, the tenant s Base Rent generally increases between 7% and 12% each year during the term of the lease. Minimum rental income is recognized following on the accrued criteria.

Certain lease agreements contain provisions, which provide for rents based on a percentage of sales or based on a percentage of revenues volume above a specified threshold. We determine the compliance with specific targets and calculate the additional rent on a monthly basis as provided for in the contracts. Thus, these contingent rents are not recognized until the required thresholds are exceeded.

Generally, our lease agreements vary from 36 to 120 months. Law No. 24,808 provides that tenants may rescind commercial lease agreements after the initial six-months, upon not less than 60 days written notice, subject to penalties which vary from one to one and a half months rent if the tenant rescinds during the first year of its lease, and one month of rent if the tenant rescinds after the first year of its lease.

Additionally, we charge our tenants monthly administration fees relating to the administration and maintenance of the common area and the administration of contributions made by tenants to finance promotional efforts for the overall shopping centers operations. The administration fees are prorated among the tenants according to their leases which vary from shopping center to shopping center. Administration fees are recognized monthly when earned.

In addition to rent, tenants are generally charged admission rights , a non refundable admission fee, that tenants may be required to pay upon entering into a lease or upon lease renewal. Admission right is normally paid in one lump sum or in a small number of monthly installments. Admission rights are recognized in earnings using the straight-line method over the life of the respective lease agreements.

Income from Hotel operations: We recognize revenues from its rooms, catering and restaurant facilities as accrued on the close of each business day.

Income from Credit card operations Consumer Financing : Revenues derived from credit card transactions consist of commissions and financing income, charges to clients for life and disability insurance and for statements of account, among other. Commissions are recognized at the time the merchants transactions are processed, while the rest financial income is recognized when accrued. Income generated from granting consumer loans mainly includes financial interests, which are recognized by the accrued method during the fiscal year irrespective of whether collection has or has not been made.

OPERATING RESULTS

Fiscal year ended June 30, 2009 compared to fiscal year ended June 30, 2008

Production income

Production income was Ps.172.5 million for the fiscal year 2009, 7.9% higher than the amount recorded for the previous fiscal year. This was primarily attributable to a Ps.16.7 million increase in our Crops segment and a Ps.1.8 million increase in our Milk segment, offset by a Ps.5.8 million decrease in our Beef cattle segment.

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Crops Local

Production income from our Crops segment increased 0.9%, from Ps.117.5 million for fiscal year 2008 to Ps.118.6 million for fiscal year 2009, primarily as a result of:

a 8.9% increase in total production volumes, from 198,146 tons in fiscal year 2008 to Ps.215,857 tons in fiscal year 2009, mainly due to an increase in volumes of corn (9.9%), soybean (5.2%) and sunflower (40.4%) harvested, partially offset by a decrease of 1.0% in volumes of wheat harvested from year to year; and

a 7.2% decrease in average prices of grain production.

The 8.9% increase in the production volume from our Crops segment was mainly due to our harvest of a larger area of crops, from 59,639 hectares in fiscal year 2008 to 100,925 hectares in fiscal year 2009 (including 8,067 hectares under concession through our subsidiary Agropecuaria Anta S.A.).

As of June 30, 2009, the harvested surface was 94.8% of our total sown surface, compared to 91.6% as of June 30, 2008.

In addition, the production volume in our Crops segment was adversely impacted by a 35.6% decrease in our average yields, from 3.32 tons per hectare during fiscal year 2008 to 2.14 tons per hectare in fiscal year 2009, mainly as a result of a 69.2% increase in the exploited surface in fiscal year 2009 compared to the previous year, the mix of grains harvested and unfavorable weather conditions.

The following table shows the board prices[(1)] as of June 30, 2008 and 2009:

	Fiscal year ended June 30,	
	2008	**2009**
	Ps.	**Ps.**
Wheat	633	654
Sunflower	1,000	770
Corn	528	450
Soybean	904	1,010

(1) Rosario Commodities Exchange board prices

Crops International

Production income from our Crops segment amounted to Ps.15.6 million in fiscal year 2009, mainly as a result of:

global production of 21,174 tons in fiscal 2009 corresponding to corn and soybean crops; and

average price of grain production of Ps.281 and Ps.955 for corn and soybean crops, respectively.

The surface area devoted to our Crops segment production was 9,950 hectares. The yield per hectare was 4.10 and 1.73 tons per hectare for corn and soybean, respectively.

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Beef cattle

Production income for the Beef cattle segment decreased 24.3%, from Ps.23.9 million for fiscal year 2008 to Ps.18.1 million in fiscal year 2009, primarily as a result of:

- a 6.4% decrease in the average price of kilogram of cattle produced, from Ps.2.7 during fiscal year 2008 to Ps.2.6 in fiscal year 2009;

- a 19.1% decrease in the production volume of cattle beef, from 8,786 tons during fiscal year 2008 to 7,112 tons in fiscal year 2009; this was mainly due to a 78.6% decrease in the production volume of heads finished in the feedlot during fiscal year 2009 compared to the previous year;

- the effect of the drought, which led to the transfer of beef cattle to other farms, thus generating alterations in feeding; in addition, as a consequence of the winter, we obtained grass of lower quality, which affected slaughtering and subsequent sale in previous stages; and

- a slight 5.8% decrease in births during fiscal year 2009 compared to fiscal year 2008.

The number of hectares dedicated to beef cattle production increased from 123,894 hectares in fiscal year 2008 to 128,859 hectares in fiscal year 2009. This increase was mainly due to the conversion of hectares of land reserve into cattle production hectares in the Los Pozos farm during fiscal year 2009.

Milk

Production income for the Milk segment increased 9.7%, from Ps.18.4 million in fiscal year 2008 to Ps.20.2 million in fiscal year 2009. This increase was mainly due to:

- a 9.9% increase in average prices of milk, from Ps.0.85 per liter in fiscal year 2008 to Ps.0.93 in fiscal year 2009; and

- a slight 0.3% increase in milk production volumes, from 20.8 million liters in fiscal year 2008 to 20.9 million liters in fiscal year 2009. This increase in production volume was mainly due to (i) an increase in the average number of milking cows (from 3,174 in fiscal 2008 to 3,286 in fiscal 2009); and (ii) partially offset by a slight 3.1% decrease in the efficiency level of average daily milk production per cow, from 18.0 liters in fiscal year 2008 to 17.4 liters in fiscal year 2009.

Cost of production

Cost of production increased 81.8%, from Ps.115.7 million in fiscal year 2008 to Ps.210.4 million in fiscal year 2009. This increase is mainly due to a Ps.93.8 million increase in our Crops segment, a Ps.4.0 million increase in our Milk segment, partially offset by a Ps.3.1 million decrease in our Beef cattle segment.

Crops Local

Cost of production from our Crops segment increased 93.7%, from Ps.82.2 million in fiscal year 2008 to Ps.159.1 million in fiscal year 2009, primarily as a consequence of:

- a higher production volume in fiscal year 2009 compared to the previous year,
- an increase in direct and indirect costs of production during fiscal year 2009 compared to the previous year, primarily as a result of higher prices of leases and supplies used (agrochemicals and seeds); and
- a larger number of hectares exploited during fiscal year 2009 (mainly leased to third parties) compared to the previous year.

Total cost of production per ton increased 77.8%, from Ps.416 in fiscal year 2008 to Ps.740 in fiscal year 2009, primarily as a result of higher costs of production and lower yields per hectare during the current fiscal year.

Crops International

Cost of production from our Crops segment was Ps.16.8 million in fiscal year 2009. The total cost of production per ton was Ps.794, higher than expected mostly as a result of an increased use of supplies for production and higher costs of soil preparation and improvement, due to the commencement of operations.

Beef cattle

Cost of production from our Beef cattle segment decreased 15.9%, from Ps.19.3 million in fiscal year 2008 to Ps.16.2 million in fiscal year 2009. The lower cost of production from our Beef cattle segment during fiscal year 2009 is mainly attributable to:

- lower volume of cattle beef production, mostly derived from a lower number of cattle heads finished in the feedlot; and
- lower feeding costs due to the decrease in the number of heads fattened in the feedlot, partially offset by increased prices of supplies and the effects of the drought requiring higher feed portion volumes.

The direct cost per kilogram produced decreased 31.0%, from Ps.1.29 in fiscal year 2008 to Ps.0.89 in fiscal year 2009.

Milk

Cost of production for the Milk segment increased 28.0%, from Ps.14.3 million in fiscal year 2008 to Ps.18.3 million in fiscal year 2009. This increase was mainly due to:

- a slight 0.3% increase in milk production in fiscal year ended June 30, 2009 compared to the previous fiscal year; and
- the impact of higher indirect and feeding costs as a consequence of the drought, which generated an increased use of dietary supplements. As a result of the above, cost of production per liter of milk increased from Ps.0.69 in fiscal year 2008 to Ps.0.89 in fiscal year 2009.

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Sales

Total sales increased from Ps.185.6 million in fiscal year 2008 to Ps.1,254.7 million in fiscal year 2009. This was primarily due to a 29.0% increase in the agricultural business, from Ps.185.6 million in fiscal 2008 to Ps.239.4 million in fiscal 2009, and Ps.1,015.3 million as a result of the consolidation with IRSA through the Real estate business during the current fiscal year.

Agricultural Business

Sales increased 29.0% from Ps.185.6 million in fiscal year 2008 to Ps.239.4 million in fiscal year 2009, primarily as a result of a Ps.77.6 million increase in the Crops segment, a Ps.1.8 million increase in the Milk segment, a Ps.10.3 million increase in the Other segment, partially offset by a Ps.14.8 million decrease in the Beef cattle segment and a Ps.21.1 million decrease in our Sales of farmlands segment.

Crops Local

Sales from our Crops segment increased 70.0%, from Ps.86.9 million in fiscal year 2008 to Ps.147.7 million in fiscal year 2009, primarily as a consequence of:

a 56.2% increase in the sales volume, from 156,718 tons in fiscal year 2008 to 244,853 tons in fiscal year 2009, mainly due to a higher grain production volume during fiscal year 2009 and a higher level of grain inventories at the beginning of the year (112,174 tons at the beginning of fiscal year 2009 compared to 74,563 tons at the beginning of fiscal year 2008); and

a 8.9% increase in average prices of grains sold, from Ps.558 per ton in fiscal year 2008 to Ps.607 per ton in fiscal year 2009.

	Grain Inventories (in tons) (1) Fiscal year ended June 30,		
	2008	**2009**	**Change**
Inventories at the beginning of the fiscal year	74,563	112,174	37,611
Purchases	10,223	8,316	(1,907)
Production	198,146	222,181	24,035
Sales	(156,718)	(244,853)	(88,135)
Transfer of unharvested crops to expenses	(14,040)	(20,369)	(6,329)
Inventories at the end of the fiscal year	**112,174**	**77,449**	**(34,725)**

(1) Includes silage stocks.

Crops International

Sales from our Crops segment amounted to Ps.16.8 million in fiscal year 2009, mainly as a result of:

a sales volume of 4,500 and 14,161 tons of corn and soybean, respectively; and

an average price of grains sold during the year of Ps.400 and Ps.1,058 for corn and soybean crops, respectively.

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Beef cattle

Sales from our Beef cattle segment decreased 45.6%, from Ps.32.4 million in fiscal year 2008 to Ps.17.6 million in fiscal year 2009, primarily as a result of:

- a 45.6% decrease in beef sales volume, from 11,677 tons in fiscal year 2008 to 6,348 tons in fiscal year 2009, as a result of a lower production volume of cattle finished in the feedlot and delays in steer fattening due to the drought; and

- an average price per kilogram sold during both periods of Ps.2.78.

The average cattle stock increased from 92,555 heads in fiscal year 2008 to 94,460 heads in fiscal year 2009, primarily as a result of the lower volume of sales described above.

Milk

Sales from our Milk segment increased 10.2%, from Ps.17.5 million in fiscal year 2008 to Ps.19.3 million in fiscal year 2009, primarily as a result of:

- a 9.9% increase in average prices of milk, from Ps.0.85 per liter in fiscal year 2008 to Ps.0.93 per liter in fiscal year 2009; and

- a 0.3% increase in production volume mainly due to a higher number of dairy cows being milked, slightly offset by a decrease in the efficiency level of production.

Farmlands

Sales from our Sales of farms segment decreased 91.5% from Ps.23.0 million in fiscal year 2008 to Ps.2.0 million in fiscal year 2009, mainly as a consequence of:

Fiscal year 2009

- On July 24, 2008, we signed the deed of sale for two parcels of land in El Recreo farm (1,829 hectares) located in the Province of Catamarca. The transaction was agreed for a price of Ps.1.1 million (US$ 0.36 million) paid as follows: US$ 0.12 million upon execution of the deed of sale, and the balance of US$ 0.24 million to be paid in two annual and consecutive installments plus interest equivalent to the Libor rate plus 3%; and

- On April 7, 2009, we signed the deed of sale for 1,658 hectares of Los Pozos farm located in the Province of Salta. The transaction was agreed for a price of Ps.2.0 million (US$ 0.5 million), that was collected in full as of the date of this Annual Report.

Fiscal year 2008

- On October 27, 2007, we signed the deed of sale for a parcel of land of 4,974 hectares of the Los Pozos farm located in the Province of Salta. The transaction was agreed at a price of Ps.3.5 million (US$ 1.1 million). The sale value was US$ 225.0 per hectare; and

On December 27, 2007, we sold a parcel of land of 2,430 hectares of the La Esmeralda farm located in the Province of Santa Fe. The total sale price was Ps.19.5 million (US$ 6.2 million), which were collected in full. The sale value was US$ 2,550 per hectare.

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Other

Sales from our Other segment increased 39.8%, from Ps.25.8 million in fiscal year 2008 to Ps.36.0 million in fiscal year 2009, mainly due to:

- a Ps.5.6 million increase in commodity brokerage services; and

- a Ps.4.7 million increase for services to third parties, resale of raw materials, and others.

Real Estate Business

Sales from our consolidation with IRSA amounted to Ps.1,015.3 million, of which Ps.278.1 million are from the Sales and developments segment, and Ps.737.2 million correspond to the segment Income from office rentals and services, shopping centers, hotels, consumer financing and others.

Cost of sales

Total cost of sales increased from Ps.144.0 million to Ps.640.8 million for fiscal years 2008 and 2009, respectively. This was mainly due to a 42.2% increase in the agricultural business, from Ps.144.0 million in fiscal year 2008 to Ps.204.8 million in fiscal year 2009, and Ps.435.9 million as a result of the consolidation with IRSA through the Real estate business during the current fiscal year.

Agricultural Business

Cost of sales for fiscal year 2009 increased 42.2% to Ps.204.8 million, from Ps.144.0 million in fiscal year 2008, primarily as a result of a Ps.69.0 million increase in the Crops segment, a Ps.1.7 million increase in the Milk segment and a Ps.6.8 million increase in the Other segment, partially offset by a Ps. 13.8 million decrease in the Beef cattle segment and Ps.2.9 million decrease in the Sales of farmlands segment.

The cost of sales as a percentage of sales was 77.6% in fiscal year 2008 and 85.6% in fiscal year 2009.

Crops Local

Cost of sales from our Crops segment increased 71.2%, from Ps.76.0 million in fiscal year 2008 to Ps.130.1 million in fiscal year 2009, primarily as a result of:

- a 56.2% increase in the volume of grain sold in fiscal year 2009 compared to the previous year; and

- a 8.9% increase in the average market price of grains in fiscal year 2009.

The average cost per ton sold increased 9.6%, from Ps.485 in fiscal year 2008 to Ps.531 in fiscal year 2009, mainly as a result of the higher average market prices of grains.

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Crops International

Cost of sales from our Crops segment amounted to Ps.14.9 million in fiscal year 2009. The average cost per ton was Ps.799 during the current fiscal year.

Beef cattle

Cost of sales from our Beef cattle segment decreased 45.9%, from Ps.30.0 million in fiscal year 2008 to Ps.16.2 million in fiscal year 2009, primarily as a result of:

- a 45.6% decrease in the beef sales volume in fiscal year 2009; and
- an average price of Ps.2.78 per kilogram sold in both periods.

Milk

Cost of sales from our Milk segment increased 9.6%, from Ps.17.6 million in fiscal year 2008 to Ps.19.3 million in fiscal year 2009, primarily as a result of:

- a 9.9% increase in the level of prices of milk which had an impact on the cost of sales; and
- a 0.2% increase in the sale volume of milk.

Farmlands

Cost of sales from our Sales of farmlands segment decreased 96.9% from Ps.3.0 million in fiscal year 2008 to Ps.0.1 million in fiscal year 2009, mainly as a consequence of:

Fiscal year 2009

- the cost of sales of the 1,829 hectares of our El Recreo farm, in the amount of Ps.0.2 million; the gain from this transaction was recognized in the prior fiscal year as established in Technical Resolution No. 17; and
- the cost of sales of the 1,658 hectares of our Los Pozos farm, in the amount of Ps.0.1 million.

Fiscal year 2008

- the cost of sales of a parcel of land of 4,974 hectares of our Los Pozos farm was Ps.0.3 million; and
- the cost of sales of a parcel of land of 2,430 hectares of our La Esmeralda farm was Ps.2.7 million.

Other

Cost of sales from our Other segment increased 39.3%, from Ps.17.4 million in fiscal year 2008 to Ps.24.2 million in fiscal year 2009, primarily as a result of higher costs arising from brokerage activities due to an increase in the number of commodity trading transactions through our subsidiary Futuros y Opciones.com and costs generated by services to third parties, resale of raw materials and others.

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Real Estate Business

Cost of sales from our consolidation with IRSA amounted to Ps.435.9 million, of which Ps.170.5 million are from the Sales and developments segment, and Ps.265.4 million correspond to the segment Income from office rentals and services, shopping centers, hotels, consumer financing and others.

Gross profit

As a result of the above mentioned factors, gross profit increased from Ps.85.7 million in fiscal year 2008 to Ps.576.0 million in fiscal year 2009. This was mainly due to a 103.9% decrease in our agricultural business, from a Ps.85.7 million profit in fiscal 2008 to a Ps.3.4 million loss in fiscal 2009, and a Ps.579.4 million profit as a result of the consolidation with IRSA through our Real estate business during the current fiscal year.

Agricultural Business

As a result of the above mentioned factors, gross profit decreased 103.9%, from a Ps.85.7 million profit in fiscal 2008 to a Ps.3.4 million loss in fiscal 2009. Our gross margin, calculated as our gross profit divided by our production income, was 53.6% positive for fiscal 2008 and 2.0% negative for fiscal year 2009.

Crops Local

Gross profit from our Crops segment decreased 149.5%, from a Ps.46.2 million profit for fiscal year 2008 to a Ps.22.9 million loss in fiscal year 2009.

Crops International

Gross profit from our Crops segment was Ps.0.7 million during the current fiscal year as a result of transactions on the international market.

Beef cattle

Gross profit from our Beef cattle segment decreased 53.1%, from Ps.7.0 million in fiscal year 2008 to Ps.3.3 million in fiscal year 2009.

Milk

Gross profit from our Milk segment decreased 53.0%, from Ps.4.0 million in fiscal year 2008 to Ps.1.9 million in fiscal year 2009.

Farmlands

Gross profit from our Sales of farmlands segment decreased 90.7% from Ps.20.0 million in fiscal year 2008 to Ps.1.9 million in fiscal year 2009.

Other

Gross profit from our Other segment increased 40.8%, from Ps.8.4 million in fiscal year 2008 to Ps.11.8 million in fiscal year 2009.

Real Estate Business

Gross profit from our consolidation with IRSA amounted to Ps.579.4 million, of which Ps.107.6 million are from the Sales and developments segment, and Ps.471.8 million correspond to the segment Income from office rentals and services, shopping centers, hotels, consumer financing and others.

Selling expenses

Total selling expenses increased from Ps.14.5 million in fiscal year 2008 to Ps.212.5 million in fiscal year 2009. Selling expenses for fiscal 2009 include Ps.187.3 million as a result of the consolidation with IRSA through the Real estate business.

Agricultural Business

Selling expenses of our agricultural business increased 73.9% from Ps.14.5 million in fiscal year 2008 to Ps.25.2 million in fiscal year 2009. Selling expenses of our Crops, Beef cattle and Other segments represented 83.6%, 5.2% and 11.1%, respectively, from the total selling expenses as of June 30, 2009.

Crops Local

Selling expenses of our Crops segment as a percentage of sales decreased slightly from 12.9% in fiscal year 2008 to 12.6% in fiscal year 2009, as a result of the increase in average sales prices of commodities. Selling expenses per ton of grain sold increased 6.3%, from Ps.72 per ton in fiscal year 2008 to Ps.76 per ton in fiscal year 2009, primarily as a result of higher cost of freight, conditioning and storage.

Crops International

Selling expenses of our Crops segment as a percentage of sales were 14.3% during fiscal year 2009. Selling expenses per ton of grain sold amounted to Ps. 129 per ton during the current fiscal year.

Beef cattle

Selling expenses of our Beef cattle segment as a percentage of sales increased from 4.3% in fiscal year 2008 to 7.5% in fiscal year 2009.

Milk

Milk sales did not generate significant selling expenses as all the production was marketed directly to dairy producers.

Other

Selling expenses of our Other segment as a percentage of sales increased slightly from 6.6% in fiscal year 2008 to 6.9% in fiscal year 2009.

Real Estate Business

Selling expenses from our consolidation with IRSA amounted to Ps.187.3 million, of which Ps.1.6 million are from the Sales and Developments segment, and Ps.185.7 million correspond to the segment Income from office rentals and services, shopping centers, hotels, consumer financing and others.

Administrative expenses

Total administrative expenses increased from Ps.26.1 million in fiscal year 2008 to Ps.134.7 million in fiscal year 2009. Fiscal year 2009 includes Ps.102.6 million as a result of the consolidation with IRSA through the Real estate business.

Agricultural Business

Administrative expenses from our agricultural business increased 23.0% from Ps.26.1 million in fiscal year 2008 to Ps.32.1 million in fiscal year 2009.

Crops Local

Administrative expenses increased 55.2% from Ps.10.9 million in fiscal year 2008 to Ps.16.9 million in fiscal year 2009, mainly due to the increase in fees and compensation for services, (including accounting, legal and technical advisory fees), salaries and wages and social security contributions (due to increases in payroll), office and administration expenses.

Crops International

This item includes administrative expenses from our foreign operations for Ps.3.0 million in fiscal year 2009.

Beef cattle

Administrative expenses decreased 20.9% from Ps.11.4 million in fiscal year 2008 to Ps.9.0 million in fiscal year 2009, mainly as a result of a decrease in the share of the segment, partially offset by an increase in fees and compensation for services (including accounting, legal and technical advisory fees), salaries and wages and social security contributions (due to increases in payroll), office and administration expenses.

Milk

Administrative expenses decreased 4.5% from Ps.1.7 million in fiscal year 2008 to Ps.1.6 million in fiscal year 2009, primarily as a result of a decrease in the share of the segment, partially offset by an increase in fees and compensation for services (including accounting, legal and technical advisory fees), salaries and wages and social security contributions (due to increases in payroll), office and administration expenses.

Farmlands

This item includes administrative expenses from our Sales of farmlands segment for Ps.0.1 million in fiscal year 2009.

Other

Administrative expenses decreased 34.9% from Ps.2.1 million in fiscal year 2008 to Ps.1.3 million in fiscal year 2009, primarily as a result of a decrease in the share of the segment, partially offset by an increase in fees and compensation for services (including accounting, legal and technical advisory fees), salaries and wages and social security contributions (due to increases in payroll), office and administration expenses.

Real Estate Business

Administrative expenses from our consolidation with IRSA amounted to Ps.102.6 million, of which Ps.16.8 million are from the Sales and Developments segment and Ps.85.8 million correspond to the segment Income from office rentals and services, shopping centers, hotels, consumer financing and others.

Gain from valuation of other assets at net realization value

Gain from valuation of other assets at net realization value increased from Ps.0.9 million during fiscal year 2008 to Ps.9.2 million in fiscal year 2009. Fiscal 2009 includes Ps.9.2 million as a result of the consolidation with IRSA through the Real estate business.

Agricultural Business

During fiscal year 2009 there was no gain from valuation of other assets at net realization value. Gain from valuation of other assets at net realization value was Ps.0.9 million during fiscal year 2008. This gain was generated in connection with the bill of sale without possession of 1,829 hectares of two parcels of the El Recreo farm, owned by IGSA, for a price of US$ 0.4 million. Although this sale had not yet been consummated, the property to be sold has been valued at the proposed sale price in accordance with current Argentine professional accounting standards and, as a result, a gain of approximately US$ 0.3 million (Ps.0.9 million) was recognized due to such revaluation.

Real Estate Business

During fiscal year 2009 there was a Ps.9.2 million gain from the Sales and Developments segment as a result of the consolidation with IRSA through the Real estate business.

Gain (loss) from inventory holding

Our gain (loss) from inventory holding decreased from a Ps.2.3 million loss in fiscal year 2008 to a Ps.0.4 million loss in fiscal year 2009. Fiscal year 2009 includes a Ps.0.9 million gain as a result of the consolidation with IRSA through the Real estate business.

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Agricultural Business

Crops Local

Our gain (loss) from inventory holding decreased 94.0% from a Ps.11.6 million loss in fiscal year 2008 to a Ps.0.7 million loss in fiscal year 2009, mainly as a result of a higher gain from transactions in the Futures and Options Exchange Market (*Mercado a Término*), partially offset by a loss from inventory holding in grains and supplies, due to a decrease in market prices.

Crops International

There was a loss from inventory holding of Ps.0.2 million in this segment.

Beef cattle

Our gain (loss) from inventory holding decreased 110.1% from a Ps.8.5 million gain in fiscal year 2008 to a Ps.0.9 million loss in fiscal year 2009, primarily as a result of the decrease in average market prices and changes of cattle category in the current fiscal year.

Other

Our gain (loss) from inventory holding decreased 46.6% from a Ps.0.7 million gain in fiscal year 2008 to a Ps.0.4 million gain in fiscal year 2009, mostly due to a decrease in average prices of minor products.

Real Estate Business

During fiscal year 2009, a Ps.0.9 million gain was recorded as a result of the consolidation with IRSA through the Real estate business, of which a Ps.0.1 million loss was from the Sales and Developments segment and a Ps.1.1 million gain corresponds to the segment Income from office rentals and services, shopping centers, hotels, consumer financing and others.

Gain (loss) from investment in Tarjeta Shopping s trusts

This item represented a Ps.22.3 million loss in fiscal year 2009 as a result of our consolidation with IRSA through the Real estate business.

Operating income (loss)

As a result of the above mentioned factors, operating income (loss) increased from a Ps.43.6 million gain in fiscal year 2008 to a Ps.215.4 million gain in fiscal year 2009. Fiscal year 2009 includes Ps.277.4 from our consolidation with IRSA through the Real estate business.

Agricultural Business

Operating income (loss) from the agricultural business decreased 242.2% from a Ps.43.6 million gain in fiscal year 2008 to a Ps.62.0 million loss in fiscal year 2009.

Crops Local

Operating income (loss) from this segment decreased 574.9% from a Ps.12.5 million gain in fiscal year 2008 to a Ps.59.2 million loss in fiscal year 2009.

Crops International

Operating income (loss) from this segment was a Ps.4.9 million loss in fiscal year 2009.

Beef cattle

Operating income (loss) from this segment decreased 389.9% from a Ps.2.7 million gain in fiscal year 2008 to a Ps.7.9 million loss in fiscal year 2009.

Milk

Operating income (loss) from this segment decreased 103.1% from a Ps.2.1 million gain in fiscal year 2008 to a Ps.0.1 million loss in fiscal year 2009.

Farmlands

Operating income (loss) from this segment decreased 91.7% from a Ps.20.9 million gain in fiscal year 2008 to a Ps.1.7 million loss in fiscal year 2009.

Other

Operating income (loss) from this segment increased 56.6% from a Ps.5.4 million gain in fiscal year 2008 to a Ps.8.4 million gain in fiscal year 2009.

Real Estate Business

During fiscal year 2009 there was a Ps.277.4 million gain as a result of the consolidation with IRSA through the Real estate business, of which Ps.98.3 million are from the Sales and developments segment and Ps.179.1 million correspond to the segment Income from office rentals and services, shopping centers, hotels, consumer financing and others.

Amortization of goodwill

The amortization of goodwill was a Ps.32.3 million gain during fiscal year 2009 (including Ps.1.1 million from our consolidation with IRSA through the Real estate business), which corresponds mostly to the amortization of negative goodwill from the acquisition of our equity interest in IRSA for a Ps.29.2 million gain, and a Ps.2.1 million gain from our share in BrasilAgro.

Net financial results

We had a net financial loss of Ps.52.3 million in fiscal year 2008, and a Ps.44.7 million gain in fiscal year 2009 (includes a Ps.74.6 million loss as a result of our consolidation with IRSA through the Real estate business). This was primarily due to:

a higher loss of Ps.58.6 million generated by net exchange differences in fiscal year 2009; fiscal year 2009 includes a Ps.137.4 million loss from the consolidation with IRSA through the Real estate business;

a Ps.6.3 million gain generated by translation differences in fiscal year 2009;

a higher loss of Ps.106.9 million generated by net financial interest in fiscal year 2009; fiscal year 2009 includes a Ps.100.0 million loss from the consolidation with IRSA through the Real estate business;

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- a higher gain of Ps.32.1 million generated by the results from hedging transactions in fiscal year 2009; fiscal year 2009 includes a Ps.9.4 million gain from the consolidation with IRSA through the Real estate business;

- a higher gain of Ps.47.5 million generated by the results from financial and other transactions in fiscal year 2009; fiscal year 2009 includes a Ps.45.4 million gain from the consolidation with IRSA through the Real estate business;

- a Ps.176.6 million gain generated by the results from the repurchase of Notes in fiscal year 2009; fiscal year 2009 includes a Ps.105.8 million gain from our consolidation with IRSA through the Real estate business.

Our net financial gain in fiscal year 2009 is mainly due to (i) a Ps.176.6 million gain from the repurchase of Notes in fiscal year 2009; (ii) a Ps.49.9 million gain from the placement of funds and other financial transactions, (iii) a Ps.32.1 million gain mostly generated by foreign exchange non deliverable- forwards NDFs, and (iv) a Ps.6.3 million gain generated by translation differences during fiscal year 2009 from the consolidation with our international Agriculture and cattle raising business.

These financial gains were partially offset by (i) a Ps.126.3 million loss generated by the negative impact of financial interest from loans and interest from the issuance of Notes of the Real estate business, and (ii) a Ps.89.1 million loss from net exchange differences, mainly as a result of a consolidated liability position in U.S. dollars from the issuance of Notes of the Real estate business, partially offset by an asset position in foreign currency of the Agriculture and cattle raising business generated by the proceeds of a capital increase during the previous fiscal year. It should be pointed out that the average exchange rate increased 25.7%, from $/US$ 3.005 at the end of fiscal year 2008 to $/US$ 3.777 at the end of fiscal year 2009.

Gain (loss) on equity investees

Gain on our equity investees increased 28.1%, from Ps.38.4 million in fiscal year 2008 to Ps.49.2 million in fiscal year 2009 (including a Ps.90.2 million gain from our consolidation with IRSA through the Real Estate Business). This was primarily due to:

- a decrease of Ps.74.3 million in fiscal year 2009 with respect to our investment in IRSA Inversiones y Representaciones S.A. The result from our investment in IRSA was a Ps.42.8 million loss during the first quarter of fiscal year 2009 (including the amortization of higher values generated by the business combination). As from October 1, 2008, the company acquired the controlling interest of IRSA and, accordingly, since that date our financial statements are presented in consolidated form with IRSA s. The result from our investment in fiscal 2008 was a Ps.31.5 million gain (including the amortization of higher values generated by the business combination and the amortization of goodwill);

- a decrease of Ps.1.2 million in fiscal year 2009 with respect to our equity interest in BrasilAgro. The result from our investment in BrasilAgro was a Ps.3.1 million gain for fiscal year 2008, compared to a Ps.1.8 million gain for fiscal year 2009;

- a decrease of Ps.3.8 million in fiscal year 2009 with respect to our equity interest in Agro-Uranga S.A. and Cactus Argentina S.A. The result from our investment in these companies was a Ps.3.9 million gain for fiscal year 2008, compared to a Ps.0.1 million gain for fiscal year 2009.

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Other income and expenses, net

Other income and expenses, net, represented a net expense of Ps.4.1 million and Ps.16.5 million in fiscal years 2008 and 2009, respectively. Fiscal year 2009 includes a Ps.7.5 million loss as a result of the consolidation with IRSA through the Real estate business. These results were mainly due to the negative impact from the tax on personal assets payable by the Company on behalf of its shareholders as required under Argentine legislation.

Management fee

Under the consulting agreement entered into with Consultores Assets Management S.A., we pay a fee equal to 10% of our net income for agricultural advisory services and other management services. The fees amounted to Ps.2.2 million and Ps.13.6 million in the fiscal years 2008 and 2009, respectively.

Income tax

Our income tax expense was Ps.0.3 million in fiscal year 2008 and Ps.92.7 million in fiscal year 2009, of which Ps.82.8 million result from our consolidation with IRSA through the Real estate business. We recognize our income tax expense on the basis of the deferred tax liability method, thus recognizing temporary differences between accounting and tax assets and liabilities measurements. The main temporary differences for the Agriculture and cattle raising business derive from valuation of cattle stock and fixed assets sale and replacement, while those corresponding to the Real estate business derive from the sale and replacement of fixed assets.

For purposes of determining the deferred assets and liabilities, the tax rate expected to be in force at the time of their reversion or use, according to the legal provisions enacted as of the date of issuance of this Annual Report (35%), has been applied to the identified temporary differences and tax losses.

Minority interest

Our minority interest was a Ps.0.3 million loss for fiscal year 2008 and a Ps.94.2 million loss for fiscal year 2009. Our minority interest during the current fiscal year includes a Ps.5.9 million gain from our consolidation with IRSA through the Real estate business.

Net income

Due to the above mentioned issues, our net income increased 443.0%, from Ps.22.9 million for fiscal year 2008 to Ps.124.6 million in fiscal year 2009.

Fiscal year ended June 30, 2008 compared to fiscal year ended June 30, 2007

The following is a discussion of our results of operations derived from our Agricultural Business for the years ended June 30, 2008 and 2007. For a discussion of the results of our Real Estate Business please see Item 5.B Liquidity and Capital Resources - Results of Operations of Real Estate Business . For the years ended June 30, 2008 and 2007, the results of operations of our Real Estate Business were reflected in the gain from our equity investment in IRSA accounted for under the equity method of accounting.

Production income

Production income was Ps.159.8 million for the fiscal year 2008, 55.5% higher than the amount recorded for the previous fiscal year. This was primarily attributable to a Ps.45.0 million increase in our Crops segment, a Ps.4.5 million increase in our Beef cattle segment, and a Ps.7.5 million increase in our Milk segment.

Crops

Production income from our Crops segment increased 62.2%, from Ps.72.4 million for fiscal year 2007 to Ps.117.5 million for fiscal year 2008, primarily as a result of:

- a 13.3% increase in total production volumes, from 174,905 tons in fiscal year 2007 to 198,146 tons in fiscal year 2008, mainly due to an increase in volumes of wheat (27.7%), corn (17.4%) and sunflower (36.6%) harvested, partially offset by a decrease of 2.9% in volumes of soybean harvested from year to year; and

- a 39.8% increase in average prices for our grains.

The 13.3% increase in the production volume from our Crops segment was mainly due to our harvest of a larger area of crops, from 49,244 hectares in fiscal year 2007 to 59,639 hectares in fiscal year 2008 (including 3,811 hectares under concession through our subsidiary Agropecuaria ANTA S.A.-formerly known as Cervera S.A.).

As of June 30, 2008, the harvested surface was 91.7% of our total sown surface, compared to 94.5% as of June 30, 2007.

In addition, the production volume in our Crops segment was adversely impacted by a 6.5% decrease in our average yields, from 3.6 tons per hectare during fiscal year 2007 to 3.3 tons per hectare during fiscal year 2008, mainly as a result of the mix of grains harvested and unfavorable weather conditions.

The average grain price (at market value) increased 31.0%, from Ps.426 per ton for fiscal year 2007 to Ps.558 per ton for fiscal year 2008.

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The following table shows the average board prices[1] per ton as of June 30, 2007 and 2008:

	Fiscal year ended June 30,	
	2007	2008
	Ps.	Ps.
Wheat	450	633
Sunflower	930	1,000
Corn	340	528
Soybean	630	904

(1) *Rosario Commodities Exchange board prices*

Beef Cattle

Production income for the Beef Cattle segment increased 22.9%, from Ps.19.5 million for fiscal year 2007 to Ps.23.9 million for fiscal year 2008, primarily as a result of:

- a 38.7% increase in the average price per kilogram of cattle produced, from Ps.2.0 during fiscal year 2007 to Ps.2.7 during fiscal year 2008;
- partially offset by a 11.4% decrease in the production volume of beef, from 9,913 tons for fiscal year 2007 to 8,786 tons for fiscal year 2008, in part as a result of the deconsolidation of Cactus due to the reduction of our equity interest from 50.0% to 24.0%, compared to the proportional consolidation of this subsidiary during the six months ended December 31, 2006;
- a 38.8% decrease in the production volume of cattle heads slaughtered in the feedlot during fiscal year 2008 compared to the previous year;
- a decrease in the production volume as a result of the drought which led to the transfer of beef cattle to other farms, thus generating alterations in feeding; in addition, as a consequence of the winter, we obtained grass of lower quality, which affected slaughtering and subsequent sale in previous stages;
- a decrease in the production volume due to the sale of the Tapenagá farm; and
- a slight 2.3% decrease in births during fiscal year 2008 compared to fiscal year 2007.

The number of hectares dedicated to beef cattle production increased from 114,056 hectares in fiscal year 2007 to 123,894 hectares in fiscal year 2008. This increase was mainly due to a higher number of hectares leased and to the conversion of hectares of land reserve into cattle production hectares in the Los Pozos farm during fiscal year 2008, partially offset by the retirement of cattle hectares due to the sale of the Tapenagá farm.

Milk

Production income for the Milk segment increased 68.8%, from Ps.10.9 million in fiscal year 2007 to Ps.18.4 million in fiscal year 2008. This increase was mainly due to:

a 45.3% increase in average prices of milk, from Ps.0.58 per liter in fiscal year 2007 to Ps.0.85 per liter in fiscal year 2008; and

- a 25.0% increase in milk production volumes, from 16.7 million liters in fiscal year 2007 to 20.8 million liters in fiscal year 2008. This increase in production volume was mainly due to (i) an increase in the average number of milking cows (from 2,677 in fiscal year 2007 to 3,174 in fiscal year 2008), in part due to the start of production in the new milking yard of our La Juanita farm, which increased its milking capacity to 1,800 cows; and (ii) a 5.3% improvement in the efficiency level of average daily milk production per cow, from 17.1 liters in fiscal year 2007 to 18.0 liters in fiscal year 2008.

Cost of production

Cost of production increased 54.2%, from Ps.75.1 million in fiscal year 2007 to Ps.115.7 million in fiscal year 2008. This increase is mainly due to a Ps.30.6 million increase in our Crops segment, a Ps.4.3 million increase in our Beef Cattle segment and a Ps.5.8 million increase in our Milk segment.

Crops

Cost of production from our Crops segment increased 59.4%, from Ps.51.5 million in fiscal year 2007 to Ps.82.2 million in fiscal year 2008, primarily as a consequence of:

- a 13.8% increase in production volume in fiscal year 2008 compared to the previous year,
- an increase in prices of raw materials used (agrochemicals and seeds); and
- a 20.3% increase in the number of hectares leased from third parties during fiscal year 2008 compared to the previous year.

Cost of production per ton increased 39.6%, from Ps.298 in fiscal year 2007 to Ps.416 in fiscal year 2008, primarily as a result of higher costs of production and lower yields per hectare during the current fiscal year.

Beef Cattle

Cost of production from our Beef Cattle segment increased 28.3%, from Ps.15.1 million in fiscal year 2007 to Ps.19.3 million in fiscal year 2008. The higher cost of production from our Beef Cattle segment during fiscal year 2008 was mainly attributable to:

- Higher feeding costs as a result of increased prices of grains and raw materials and
- the effects of the drought requiring higher feed portion volumes.

The direct cost per kilogram produced increased 45.3%, from Ps.0.89 in fiscal year 2007 to Ps.1.29 in fiscal year 2008, due to higher prices in direct costs of production, partially offset by a lower total production volume, primarily as a result of the sale of our Tapenagá farm during fiscal year 2007, and in part as a result of the deconsolidation of Cactus due to the reduction of our equity interest from 50.0% to 24.0%, compared to the proportional consolidation of this subsidiary during the six months ended December 31, 2006.

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Milk

Cost of production for the Milk segment increased 68.5%, from Ps.8.5 million in fiscal year 2007 to Ps.14.3 million in fiscal year 2008. This increase was mainly due to:

- a 25.0% increase in milk production in fiscal year ended June 30, 2008 compared to the previous fiscal year; and
- the impact of higher feeding costs as a consequence of the increased prices of corn and other raw materials.

As a result of the above, cost of production per liter of milk increased from Ps.0.51 in fiscal year 2007 to Ps.0.69 in fiscal year 2008.

Sales

Sales increased 32.4%, from Ps.140.2 million in fiscal year 2007 to Ps.185.6 million in fiscal year 2008, primarily as a result of a Ps.33.5 million increase in the Crops segment, a Ps.0.5 million increase in the Beef Cattle segment, a Ps.7.8 million increase in the Milk segment and a Ps.13.7 million increase in the Others, partially offset by Ps.6.9 million decrease in the segment Sales of farmlands, and a Ps.3.1 million decrease in out Feedlot segment as a result of the deconsolidation of Cactus during the fiscal year ended June 30, 2008.

Crops

Sales from our Crops segment increased 62.7%, from Ps.53.4 million in fiscal year 2007 to Ps.86.9 million in fiscal year 2008, primarily as a consequence of:

- a 24.4% increase in the sales volume, from 125,947 tons in fiscal year 2007 to 156,718 tons in fiscal year 2008, mainly due to a higher grain production volume during fiscal year 2008 and a higher level of grain inventories at the beginning of the year (74,563 tons at the beginning of fiscal year 2008 compared to 28,315 tons at the beginning of fiscal year 2007); and
- a 31.0% increase in average prices of grains sold, from Ps.426 per ton in fiscal year 2007 to Ps.558 per ton in fiscal year 2008.

	Grain inventories (in tons)		
	Fiscal Year ended, June 30		
	2007	**2008**	**Change**
Inventories at the beginning of the fiscal year	**28, 315**	**74,563**	**46,248**
Purchases	9,202	10,223	1,021
Production	175,455	198,146	22,691
Sales	(124,652)	(153,247)	(28,595)
Transfer of unharvested crops to expenses	(13,757)	(17,511)	(3,753)
Inventories at the end of the fiscal year	**74,563**	**112,174**	**(37,612)**

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Beef Cattle

Sales from our Beef Cattle segment increased 1.5%, from Ps.32.0 million in fiscal year 2007 to Ps.32.4 million in fiscal year 2008, primarily as a result of:

- a 15.8% increase in the average price per kilogram, from Ps.2.40 in fiscal year 2007 to Ps.2.78 in fiscal year 2008; and

- partially offset by a 12.4% decrease in beef sales volume, from 13,332 tons in fiscal year 2007 to 11,677 tons in fiscal year 2008, mainly as a result of the deconsolidation of Cactus due to the reduction in our equity interest from 50.0% to 24.0%, compared to the proportional consolidation of this subsidiary during the six months ended December 31, 2006.

The average cattle stock decreased from 97,111 heads in fiscal year 2007 to 92,555 heads in fiscal year 2008, primarily as a result of the sale of our Tapenagá farm in fiscal year 2007, and the effect of the deconsolidation of Cactus described above.

Milk

Sales from our Milk segment increased 79.8%, from Ps.9.7 million in fiscal year 2007 to Ps.17.5 million in fiscal year 2008, primarily as a result of:

- a 45.3% increase in average prices of milk, from P.0.58 per liter in fiscal year 2007 to Ps.0.85 per liter in fiscal year 2008; and

- a 23.7% increase in sale volume mainly due to an increase in the average number of milking cows and improvement in the efficiency level of production.

Feedlot

Due to the change in our equity interest in our subsidiary Cactus, from 50.0% to 24.0%, no income was recorded in our Feedlot segment during the current fiscal year ended June 30, 2008, due to the effect of deconsolidation, compared to our proportional consolidation of this subsidiary during the six months ended December 31, 2006.

Other

Sales from our Other segment increased 112.8%, from Ps.12.1 million in fiscal year 2007 to Ps.25.8 million in fiscal year 2008, mainly due to:

- a Ps.9.5 million increase in commodity brokerage services; and

- a Ps.4.2 million increase in sales of services to third parties and others.

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Farmlands

Sales from our Sales of Farmlands segment decreased 22.9%, from Ps.29.9 million in fiscal year 2007 to Ps.23.0 million in fiscal year 2008, mainly due to:

During fiscal year ended June 30, 2008:

- On May 30, 2008, we agreed to sell to Estancias San Bruno S.A. and Estancias El Algarrobo S.A. a 2,430 hectare parcel of the La Esmeralda farm in the Province of Santa Fe. Although we granted possession of the property on the date of execution of the sale agreement, the sale excludes rights to the production of the currently sown land which we retained. The aggregate sale price was US$ 6.2 million, which has been fully collected.

- On October 22, 2007, we signed the deed of sale for 4,974 hectares of the Los Pozos farm located in the Province of Salta, for a price of US$ 1.1 million, which has been fully collected.

During fiscal year ended June 30, 2007:

- On June 6, 2007, we signed a sales deed for the 20,833 hectares Tapenagá farm, located in the Province of Chaco. This deal was consummated for US$7.3 million. We have collected US$3.7 million as of June 6, 2007. On May 28, 2008 we collected US$1.2 million, while the remaining balance of US$2.4 million will be collected in equal payments in May of each of 2009 and 2010.

- On June 5, 2007, we signed a sales deed for a 14,516 hectare piece of the Los Pozos farm, located in Joaquín V. González, Province of Salta. The price of the transaction was US$2.2 million, or US$150 per hectare.

- On January 19, 2007, we signed a sales deed for a 50 hectare piece of the El Recreo farm, located in Recreo, Province of Catamarca, for Ps.0.7 million.

Cost of sales

Cost of sales for fiscal year 2008 increased 37.8% from Ps.104.5 million in fiscal year 2007, to Ps.144.0 million in fiscal year 2008, primarily as a result of a Ps.28.6 million increase in the Crops segment, a Ps.7.9 million increase in the Milk segment and a Ps.10.6 million increase in the Others segment, partially offset by a Ps.0.2 million decrease in the Beef Cattle segment, Ps.4.6 million in the Cost of sales of Farmlands segment and Ps.2.8 million generated by the deconsolidation of Cactus in the Feedlot segment.

Crops

Cost of sales from our Crops segment increased 60.4%, from Ps.47.4 million in fiscal year 2007 to Ps.76.0 million in fiscal year 2008, primarily as a result of:

- a 24.4% increase in the volume of grain sold in fiscal year 2008 compared to the previous year; and

- a 31.0% increase in the average market price of grains in fiscal year 2008.

The average cost per ton sold increased 28.9%, from Ps.376 in fiscal year 2007 to Ps.485 in fiscal year 2008, mainly as a result of the higher average market prices of grains.

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Beef Cattle

Cost of sales from our Beef Cattle segment decreased 0.8%, from Ps.30.3 million in fiscal year 2007 to Ps.30.0 million in fiscal year 2008, primarily as a result of:

- a 12.4% decrease in the beef sales volume in fiscal year 2008, partially offset by an increase in the general price level of cattle; and
- partially offset by a 15.8% increase in the average price per kilogram of cattle sold in fiscal year 2008.

Milk

Cost of sales from our Milk segment increased 81.2%, from Ps.9.7 million in fiscal year 2007 to Ps.17.6 million in fiscal year 2008, primarily as a result of:

- a 45.3% increase in the level of prices of milk which had an impact on the cost of sales; and
- a 23.7% increase in sale volume of milk.

Feedlot

Due to the change in our equity interest in our subsidiary Cactus, from 50.0% to 24.0%, no costs have been recorded in our Feedlot segment during the current fiscal year ended June 30, 2008, due to the effect of deconsolidation, compared to the proportional consolidation of this subsidiary during the six months ended December 31, 2006.

Other

Cost of sales from our Other segment increased 158.0%, from Ps.6.7 million in fiscal year 2007 to Ps.17.4 million in fiscal year 2008, primarily as a result of higher costs arising from brokerage activities due to an increase in the number of commodity trading transactions through our subsidiary Futuros y Opciones.com and costs generated by services to third parties.

Farmlands

Cost of sales from our Sales of Farmlands segment decreased 60.5%, from Ps.7.6 million in fiscal year 2007 to Ps.3.0 million in fiscal year 2008, mainly due to:

During fiscal year ended June 30, 2008:

- On May 30, 2008, we agreed to sell to Estancias San Bruno S.A. and Estancias El Algarrobo S.A. a 2,430 hectare parcel of the La Esmeralda farm in the Province of Santa Fe. The book value was approximately US$309 per hectare.
- On October 22, 2007, we signed the deed of sale for 4,974 hectares of the Los Pozos farm located in the Province of Salta. The book value was approximately US$0.1 million.

During fiscal year ended June 30, 2007:

- On June 6, 2007, we signed a sales deed for the 20,833 hectares Tapenagá farm, located in the Province of Chaco. This deal was consummated for US$7.3 million. The property was valued in the Company s books at US$97.5 per hectare.

- On June 5, 2007, we signed a sales deed for a 14,516 hectare piece of the Los Pozos farm, located in Joaquín V. González, Province of Salta. The book value of the lot sold was US$7 per hectare.

- On January 19, 2007, we signed a sales deed for a 50 hectare piece of the El Recreo farm, located in Recreo, Province of Catamarca. The book value of the lot sold was $0.2 million.

Gross profit

As a result of the above mentioned factors, gross profit increased 35.1%, from Ps.63.4 million in fiscal year 2007 to Ps.85.7 million in fiscal year 2008. Our gross margin, calculated as our gross profit divided by our production income, decreased from 26.1% in fiscal year 2007 to 24.8% in fiscal year 2008, primarily as a result of:

- a 71.7% increase in gross profit from our Crops segment, from Ps.26.9 million for fiscal year 2007 to Ps.46.2 million for fiscal year 2008;

- a 14.7% increase in gross profit from our Beef Cattle segment, from Ps.6.1 million for fiscal year 2007 to Ps.7.0 million for fiscal year 2008;

- a 64.3% increase in gross profit from our Milk segment, from Ps.2.4 million for fiscal year 2007 to Ps.4.0 million for fiscal year 2008;

- the effect of deconsolidation of Cactus in the Feedlot segment, a Ps.0.3 million profit during the first six-month period of fiscal year 2007;

- a 56.3% increase in gross profit from our Other segment, from Ps.5.4 million for fiscal year 2007 to Ps.8.4 million for fiscal year 2008; and

- a 10% decrease in gross profit from our Sales of farmlands, from Ps.22.2 million for fiscal year 2007 to Ps.20.0 million for fiscal year 2008.

Selling expenses

Selling expenses increased 45.4%, from Ps.10.0 million in fiscal year 2007 to Ps.14.5 million in fiscal year 2008. Selling expenses of the Crops, Beef Cattle and Other segments represented 77.5%, 9.5% and 13%, respectively, of our total selling expenses in fiscal year ended June 30, 2008.

Crops

Selling expenses of our Crops segment as a percentage of sales decreased from 15.1% in fiscal year 2007 to 13% in fiscal year 2008 as a result of the increase in average prices of commodities. Selling expenses per ton of grain sold increased 12.3%, from Ps.64 per ton in fiscal year 2007 to Ps.72 per ton in fiscal year 2008, primarily as a result of higher cost of freight, conditioning, and storage.

Beef Cattle

Selling expenses of our Beef Cattle segment as a percentage of sales increased from 2.7% in fiscal year 2007 to 4.3% in fiscal year 2008.

Milk

Milk sales did not generate significant selling expenses as all the production was sold directly to dairy producers.

Other

Selling expenses of our Other segment as a percentage of sales decreased from 8.3% in fiscal year 2007 to 6.6% in fiscal year 2008.

Administrative expenses

Administrative expenses increased 57.0%, from Ps.16.6 million in fiscal year 2007 to Ps.26.1 million in fiscal year 2008, mainly due to the increase in compensation to directors, salaries and wages and social security contributions, fees and compensation for services (including consulting fees mainly related to Sarbanes-Oxley compliance, and accounting, legal and technical advisory fees), office and administration expenses, and vehicle and travel expenses.

Gain from valuation of other assets at net realization value

Gain from valuation of other assets at net realization value was Ps.0.9 million during fiscal year 2008. This gain was generated in connection with the bill of sale without possession of 1,829 hectares of two parcels of the El Recreo farm, owned by IGSA, for a price of US$ 0.4 million. Although this sale has not yet been consummated, the property to be sold has been revalued at the proposed sale price in accordance with current Argentine generally accepted accounting standards and, as a result, a gain of approximately US$ 0.3 million (Ps.0.9 million) was recognized due to such revaluation.

Gain (loss) from inventory holding (beef cattle, grains and raw materials) and transactions in the Buenos Aires Futures and Options Exchange Market and Chicago Board of trade (CBOT)

Our gain (loss) from inventory holding and transactions in the Buenos Aires Futures and Options Exchange Market *(Mercado a Término)* and CBOT decreased from a Ps.1.2 million gain in fiscal year 2007 to a Ps.2.3 million loss in fiscal year 2008. During fiscal year 2008, we recorded a Ps.14.5 million loss from transactions in the Buenos Aires Futures and Options Exchange Market and CBOT, which was partially offset by a Ps.12.2 million gain from the holding of grains, beef cattle and raw materials, while during fiscal year 2007, we recorded a Ps.3.1 million loss from transactions in the Buenos Aires Futures and Options Exchange Market and CBOT, which was offset by a Ps.4.3 million gain from the holding of grains, beef cattle and raw materials.

Operating income

Operating income increased 14.7%, from Ps.38.0 million in fiscal year 2007 to Ps.43.6 million in fiscal year 2008. Our operating margin, calculated as our operating income divided by the sum of our production income, was 37.0% during the fiscal year ended June 30, 2007, compared to 27.3% during the fiscal year ended June 30, 2008, primarily as a result of:

- a 59.4% increase in gross profit, from Ps.41.2 million for fiscal year 2007 to Ps.65.7 million for fiscal year 2008;

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an increase generated by a Ps.0.9 million gain from the valuation of other assets at net realization value for the El Recreo farm (1,829 hectares) during the current fiscal year;

offset by a 45.4% increase in selling expenses, from Ps.10.0 million for fiscal year 2007 to Ps.14.5 million for fiscal year 2008, mainly due to a higher sales volume in the Crops segment;

a 57.0% increase in administrative expenses, from Ps.16.6 million for fiscal year 2007 to Ps.26.1 million for fiscal year 2008, mainly due to the increase in compensation to directors, fees and compensation for services, salaries and wages, office and administrative expenses, and vehicle and travel expenses;

a Ps.2.3 million decrease in net gain on sale of farmlands, from Ps.22.3 million for fiscal year 2007 to Ps.20.0 million for fiscal year 2008; and

a Ps.3.5 million decrease in net gain from inventory holding and from transactions in the Buenos Aires Futures and Options Exchange Market and CBOT in fiscal year 2008.

Net financial results

We had net financial losses of Ps.10.5 million and Ps.52.3 million for fiscal years 2007 and 2008, respectively, primarily as a result of:

a Ps.29.6 million increase in the loss generated by net exchange differences in fiscal year 2008;

a Ps.11.6 million increase in interest expense in fiscal year 2008;

a Ps.2.6 million increase in the loss generated by the bank debit and credit tax in fiscal year 2008; and

partially offset by Ps.2.0 million of income derived from other financial investments and mutual funds.

Our net financial loss in fiscal year 2008 is mainly due to (i) a Ps.30.5 million loss generated by net exchange differences, primarily as a result of an asset position in U.S. dollars derived from the capital issue carried out during the current fiscal year. It should be noted that the exchange rate used for the capital issue was $/US$3.158, while the buying exchange rate at the end of the current fiscal year was Ps./US$2.985, (ii) a Ps.23.3 million loss generated by the negative impact of interest for debt financing, mainly due to an increased debt position and higher interest rates, and (iii) a Ps.4.5 million loss generated by the bank debit and credit tax as a result of a higher volume of transactions.

This financial loss was partially offset by (i) a Ps.4.0 million gain generated by the positive impact of other financial interest from related party loans, interest income from financing of the sale of farmlands and financial investments during the current fiscal year, and (ii) a Ps.2.1 million gain from transactions with securities, shares and others. It should be mentioned that the effect of interest from the convertible notes issued and acquired was recorded for fiscal year 2007 but is not reflected for fiscal year 2008 (the notes were due on November 14, 2007).

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Other income and expenses, net

Other income and expenses, net, represented a net expense of Ps.4.3 million and Ps.4.1 million in fiscal years 2007 and 2008, respectively, mainly due to the negative impact for the tax on personal assets payable by the Company on behalf of its shareholders as required under Argentine legislation.

Gain on equity investees

Gain on our equity investees decreased 4.4%, from Ps.40.2 million in fiscal year 2007 to Ps.38.4 million in fiscal year 2008, primarily as a result of:

- lower income of Ps.1.6 million in fiscal year 2008 with respect to our investment in IRSA. The gain from our investment in IRSA was Ps.33.1 million for fiscal year 2007, compared to Ps.31.5 million for fiscal year 2008 (including amortization of goodwill);

- lower income of Ps.1.1 million in fiscal year 2008 with respect to our equity interest in BrasilAgro. The gain from our investment in BrasilAgro was Ps.4.2 million for fiscal year 2007, compared to Ps.3.1 million for fiscal year 2008; and

- partially offset by higher income of Ps.1.1 million in fiscal year 2008 with respect to our equity interest in Agro-Uranga S.A. and Cactus Argentina S.A. The gain from our investment in these companies was Ps.2.9 million for fiscal year 2007, compared to Ps.3.9 million for fiscal year 2008.

The gain on equity investees in fiscal year 2008 includes our shareholding in Cactus Argentina S.A. as a result of the deconsolidation during the current fiscal year as compared to the previous year.

Management fee

Under the consulting agreement entered into with Consultores Asset Management S.A., we pay a fee equal to 10% of our net income for agricultural advisory services and other management services. The fees amounted to Ps.5.5 million and Ps.2.2 million in the fiscal years 2007 and 2008, respectively.

Income tax

Our income tax expense was Ps.8.4 million in fiscal year 2007 and Ps.0.3 million in fiscal year 2008. We recognize our income tax expense on the basis of the deferred tax liability method, thus recognizing temporary differences between accounting and tax assets and liability measurements. The main temporary differences derive from valuation of cattle stock, fixed assets sale and replacement, and tax loss carryforwards.

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For purposes of determining the deferred assets and liabilities, the tax rate expected to be in force at the time of their reversion or use, according to the legal provisions enacted as of the date of issuance of this filing, 35%, has been applied to the identified temporary differences and tax losses.

Minority interest

Our minority interest was a Ps.0.3 million loss for both fiscal years 2007 and 2008.

Net income

Due to the above-mentioned issues, our net income decreased 53.5%, from Ps.49.4 million for fiscal year 2007 to Ps.22.9 million for fiscal year 2008. Our net margin, calculated as our net income divided by our production income, was 14.4% for fiscal year 2008, compared to 48.0% for fiscal year 2007.

B. LIQUIDITY AND CAPITAL RESOURCES

Liquidity

Our principal sources of liquidity have historically been:

- cash generated by our issuance of common shares;
- cash generated by operations;
- cash from borrowings and financing arrangements (including cash from the exercise of warrants); and
- cash proceeds from the sale of farmlands.

Our principal cash requirements or uses (other than in connection with our operating activities) have historically been:

- acquisition of interests in related companies;
- capital expenditures for property, plant and equipment (including acquisitions or purchases of farmlands);
- interest payments and repayments of short-term and long-term debt; and
- payments of dividends.

Our liquidity and capital resources include our cash and cash equivalents, proceeds from operating activities, sales of real estate investments, bank borrowing, long-term debt and capital financing.

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Cash Flows

The table below shows, for the periods indicated, our cash flows:

	For the fiscal year ended June 30,		
	2009	2008	2007
	(in millions of Pesos)		
Net cash provided by (used in) operating activities	299.5	(48.5)	(27.3)
Net cash used in investing activities	(367.2)	(434.4)	(29.7)
Net cash (used in) provided by financing activities	(241.7)	917.8	115.8
Net (decrease) increase in cash and cash equivalents	(309.4)	434.9	58.8

As of June 30, 2009, we had cash and cash equivalents of Ps.211.7 million, a decrease from Ps.521.1 million as of June 30, 2008. The decrease was primarily due to the acquisition and improvement of fixed assets of Ps.308.3 million, a reduction of short and long tem debt of Ps.8.5 million, an increase in our interest in related companies of Ps.150.4 million, the repurchase of treasury stock for Ps.73.2 million, repurchase of non-convertible notes for Ps.140.5 and payment of dividends of Ps.43.1 million, partially offset by cash inflows for operating activities of Ps.299.5 million and for the consolidation with IRSA for Ps.171.5 million.

As of June 30, 2008, we had cash and cash equivalents of Ps.521.1 million, an increase from Ps.86.2 million as of June 30, 2007. The increase was primarily due to cash generated by our issuance of common shares of Ps.881.1 million, cash proceeds from the exercise of warrants of Ps.15.1 million, and proceeds from short-term and long-term debt of Ps.33.5 million. This was partially offset by cash outflows for operating activities of Ps.48.5 million, for increases in our interest in related companies of Ps.407.5 million, for acquisition and improvement of our fixed assets of Ps.28.0 million, and for dividend payments of Ps.8.3 million.

Net Cash Provided by (Used in) Operating Activities

Fiscal Year ended June 30, 2008 and 2009

Net cash provided by operations increased from a net cash outflow of Ps.48.5 million in the fiscal year ended June 30, 2008 to a net cash inflow of Ps.299.5 million in the fiscal year ended June 30, 2009. The increase in net cash provided by operating activities was primarily due to the increase in operating gains of Ps.383.8 million, a decrease in current investments of Ps.60.0 million, an increase in trade accounts payable of Ps.36.0 million, an increase of Ps.47.8 million in social security payable, a decrease in inventories of Ps.164.1 million, and dividends collected of Ps.0.5 million, that were partially offset by a decrease in trade accounts receivable of Ps.131.3 million, a decrease of Ps.137.7 million in other receivables, and increase in intangible assets of Ps.12.6 million and a decrease of Ps.32.5 million in other debts. Our operating activities resulted in net cash inflows of Ps.299.5 million for the fiscal year ended June 30, 2009, mainly due to operating gains of Ps.383.8 million, a decrease in current investments and inventories and an increase in trade accounts payable and social security payable and taxes payable of Ps.248.9 million, that was partially offset by a decrease in trade accounts receivable, other receivables and other debts and an increase of Ps.333.2 million in intangible assets.

Fiscal Year ended June 30, 2007 and 2008

Net cash used in operations increased from Ps.27.3 million in fiscal year 2007 to Ps.48.5 million in fiscal year 2008. The increase in net cash used in operating activities was primarily due to the increase in current investments of Ps.18.3 million in fiscal year 2008 compared to fiscal year 2007, an increase in inventories of Ps.42.8 million and a decrease in other payables of Ps.5.4 million, which were partially offset by a decrease in trade accounts receivable of Ps.26.0 million, a decrease in other receivables of Ps.6.9 million, an increase of Ps.0.4 million in social security payable, taxes payable, and advances to customers, an increase of Ps.18.0 million in trade accounts payable, and dividends collected of Ps.1.4 million. Our operating activities resulted in net cash outflows of Ps.48.5 million for fiscal year 2008, mainly due to an increase in current investments, inventories, and decreases in other receivables and payables amounting to Ps.109.3 million that were partially offset by a decrease in trade accounts receivable and an increase in social security payable, taxes payable, advances to customers, trade accounts payable, and dividends collected of Ps.32.2 million.

Net Cash Used in Investing Activities

Fiscal Year ended June 30, 2008 and 2009

Net cash used in investing activities decreased from a net cash outflow of Ps.434.4 million in the fiscal year ended June 30, 2008 to a net cash outflow of Ps.367.2 million in the fiscal year ended June 30, 2009. It was mainly due to the acquisition and upgrading of fixed assets and land reserves for Ps.317.2 million, and increase in interests in related companies of Ps.212.9 million and loans granted of Ps.9.8 million, which were partially offset by the cash inflow arising from the consolidation of IRSA Inversiones y Representaciones S.A. of Ps.171.5 million and the sale and collection of receivables from the sale of fixed assets for Ps.1.2 million.

Fiscal Year ended June 30, 2007 and 2008

Net cash used in investing activities increased from a net cash outflow of Ps.29.7 million in fiscal year 2007 to a net cash outflow of Ps.434.4 million in fiscal year 2008. Our investing activities resulted in a net cash outflow of Ps.434.4 million in fiscal year 2008 mainly due to the acquisition of interests in related companies for Ps.407.5 and the acquisition and upgrading of fixed assets for Ps.28.0 million which were partially offset by the sale of fixed assets for Ps.1.1 million.

Net Cash (Used in) Provided by Financing Activities

Fiscal Year ended June 30, 2008 and 2009

Net cash received from financing activities amounted to Ps.917.8 million in the fiscal year ended June 30, 2008 compared to a use of Ps.241.7 million in the fiscal year ended June 30, 2009 primarily due to a decrease of Ps.881.1 million, arising from our issuance of common shares of the previous fiscal year, outflows due to the repurchase of non-convertible notes of Ps.140.5 million, the repurchase of treasury shares of Ps.73.2, a decrease in financial loans of Ps.42.0 million, and increase in dividend payments of Ps.34.8 million and a Ps.15.1 million decrease in the exercise of warrants, partially offset by an increase of Ps.34.7 million due to minority shareholders contributions. Our financing activities resulted in net cash outflows of Ps.241.7 million primarily due to the repurchase of non-convertible notes of Ps.140.5 million, the repurchase of treasury stock of Ps.73.2, a net decrease in financial loans of Ps.8.5 million and dividend payments of Ps.43.1 million, partially offset by minority shareholders contributions for Ps.34.7 million.

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Fiscal Year ended June 30, 2007 and 2008

Net cash provided from financing activities increased from Ps.115.8 million in fiscal year 2007 to Ps.917.8 million in fiscal year 2008 primarily due to an increase in cash generated by our issuance of common shares of Ps.881.1 million, partially offset by the decrease in the exercise of warrants for Ps.69.0 million, an increase of dividend payments of Ps.2.8 million, a decrease in proceeds of financial loans of Ps.5.8 million, and by the payment of other payables and secured payables from the purchase of farms of Ps.1.5 million. Our financing activities resulted in net cash inflows of Ps.917.8 million primarily due to our issuance of common shares of Ps.881.1 million, the exercise of warrants and proceeds from financial loans for Ps.94.3 million, partially offset by dividend payments and payments of financial loans for Ps.53.9 million.

The current credit market turmoil may affect our ability to obtain additional capital; however, as of the date of this annual report, we have been able to complete some transactions and do not believe this may severely impact the execution of our business plan. If market conditions continue to deteriorate, we may have the ability to delay the funding of certain new development outlays. Also, we may need to raise additional funds in order to support more rapid expansion, develop or acquire new properties, respond to competitive pressures, or take advantage of unanticipated opportunities.

We believe our working capital (calculated by substracting current liabilities from current assets) is sufficient for our present requirements. In the event that cash generated from our operations is at any time insufficient to finance our working capital, we would seek to finance such working capital needs through new debt, equity financing or selective asset sales. For more information about liquidity please see *Risk Factors* section.

Cresud s Indebtedness

Convertible Notes due 2007

On November 21, 2002, we issued US$ 50.0 million of convertible notes due November 2007. The convertible notes accrued interest at 8% per annum, payable on a semi-annual basis. The conversion price was US$ 0.5078 per common share which meant that each convertible note could be exchanged for 1.9693 common shares. Additionally, each convertible note contained an attached warrant granting an option to acquire 1.9693 shares at a price of US$ 0.6093 each.

The exercise term of our outstanding warrants and the conversion term of our convertible notes issued on November 21, 2002 expired on November 14, 2007. During the conversion and exercise terms, the holders of our warrants and convertible notes exercised an aggregate of 49,867,018 warrants and converted an aggregate of 49,910,874 convertible notes. There are no additional outstanding warrants or convertible notes to acquire our shares.

Credit Suisse Loan Agreement

On May 2, 2006, we entered into a US$ 8 million loan agreement with Credit Suisse. The maturity of this loan agreement was November 2, 2008 and the applicable interest rate was 3-month LIBOR plus 375 basis points. The Credit Suisse loan agreement was initially secured by a swap transaction under ISDA 2000 Definitions with IRSA s convertible notes for a total amount of US$ 10 million, which were subsequently replaced with 1,834,860 GDRs of IRSA, plus a U.S.

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dollar denominated amount that fluctuates in accordance with the trading price of IRSA s shares. This loan agreement imposed certain restrictions on the payment of dividends. Under the agreement we were permitted to pay or distribute, directly or indirectly, whether in cash or obligations to third parties, up to US$ 5,000,000 for any calendar year:

for any dividend or other distribution on our capital stock or any interest on capital, excluding any dividends, distributions or interest paid solely in our capital stock or in options, warrants or other rights to acquire capital stock;

in respect of the purchase, acquisition, redemption, withdrawal, defeasance or other acquisition for value of any of our capital stock or any warrants, rights or options to acquire such capital stock;

in respect of the return of any capital to our shareholders as such;

in connection with any distribution or exchange of property in respect of our capital stock, warrants, rights, options, obligations or securities to or with our shareholders as such; or

in consideration of any irrevocable capital contributions or in payment of interest.

During the second quarter of fiscal year 2009, the Company fully repaid the Credit Suisse loans and, received from Credit Suisse, 1,834,860 GDRs of IRSA which were held as collateral for the loan.

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Other Loans

As of June 30, 2009, we had total loans for Ps.1,484.5 million, composed by: mortgages payable for Ps.1.9 million and banking debt and other for Ps.1,482.6 million:

		Schedule of maturity or amortization						
	Currency	**Less than 1 year[1]**	**More than 1 year and up to 2 years**	**More than 2 years and up to 3 years**	**More than 3 years and up to 4 years**	**More than 4 years**	**Total[2]**	**Annual Average Interest Rate %**
		(in millions of constant Pesos as of June 30, 2009)[3]						
Banking debt and other								
Unsecured loans[4]	Ps./U$S	440.8	25.6	25.5	25.5		**517.4**	Floating
Hoteles Argentinos secured loan	U$S	20.7					**20.7**	9.7
Alto Palermo 10% convertible notes due 2014[6]	U$S	2.6				58.7	**61.3**	10.0
Alto Palermo 11% Series II notes [5][7]	Ps.	26.6	25.2	25.2			**77.0**	11.0
Alto Palermo 7,875% Series I notes due 2017 [5][8]	U$S	2.5	(0.5)	(0.5)	(0.5)	252.0	**253.0**	7.9
IRSA s notes[5][9]	U$S	14.8	(0.9)	(0.9)	(0.9)	424.6	**436.7**	8.5
Debt financed by the seller	Ps./U$S	28.9	1.7	1.7	1.7	3.4	**37.5**	
Secured farm purchase obligations [10]	U$S	41.7	21.9				**63.6**	
Non secured obligations related to purchase of investments [11]	U$S	10.8	4.6				**15.4**	4.0
Total banking debt and other		**589.4**	**77.6**	**51.0**	**25.8**	**738.7**	**1,482.6**	
Mortages payable								
Mortages payable over the Bariloche lots		1,9					1,9	7.0
Total mortages payable		**1,9**					**1.9**	
Total debt		**591.3**	**77.6**	**51.0**	**25.8**	**738.7**	**1,484.5**	

(1) Includes accrued interest.
(2) Figures may not sum due to rounding.
(3) Offered exchange rate as of June 30, 2009 US$ 1,00= Ps. 3.797
(4) Includes bank overdrafts.
(5) Includes expenses for issuance of debt.
(6) Includes Ps.(0.1) million corresponding to higher values.
(7) Includes Ps.(2.4) million corresponding to higher values.
(8) Includes Ps.(14.9) million corresponding to higher values.
(9) Includes Ps.(17.4) million corresponding to higher values.
(10) Included under Trade accounts payable in the Consolidated Balance Sheet.
(11) Included under Other liabilities in the Consolidated Balance Sheet.

The farms we purchased in the Republic of Bolivia are subject to mortgages, included under trade accounts payable in the Consolidated Balance Sheet. As of June 2009, the mortgage on Las Londras farm amounts to US$6.5 million, effective until January 22, 2011; the mortgage on San Cayetano and San Rafael farms amounts to US$ 5.1 million, effective until November 2010; and the mortgage on La Fon Fon farm amounts to US$ 4.9 million, effective until November 2010.

On December 2, 2008, an extension was agreed for the payment of US$ 1.7 million due for the purchase of the San Pedro farm, which has a mortgage on a parcel of its land set up to guarantee the payment for the purchase. Accordingly, the term for the payment is extended until September 30, 2009 plus interest at an annual rate of 7% since December 2, 2008 until September 30, 2009. This obligation was repaid upon maturity.

Prepayment of IRSA s Outstanding Indebtedness

On October 21, 2007, IRSA notified the holders of its secured notes due November 2009 and the creditors under IRSA s US$51 million syndicated bank loan agreement dated November 21, 2002 of IRSA s intention to redeem all outstanding notes and repay such loans in full, plus interest accrued until the redemption and repayment date, as applicable. On October 29, 2007, IRSA prepaid US$ 24.3 million of principal and US$0.3 million of interest accrued on the notes, and US$14.9 million of principal and US$0.2 million of interest accrued on the loans.

Hoteles Argentinos secured loan

On March 23, 2005, Credit Suisse First Boston International acquired the US$11.1 million indebtedness incurred by Hoteles Argentinos which had been in default since January 2002. On April 21, 2006, Hoteles Argentinos reduced the outstanding principal amount to US$6.0 million with a prepayment, and the unpaid balance was restructured to mature in March 2010 with scheduled amortization payments as described below:

Date	Amount due (US$ thousands)
March 15, 2008	213
September 15, 2008	225
March 15, 2009	239
September 15, 2009	253
March 15, 2010	5,070

Interest accrues on the unpaid principal of this loan at six-month LIBOR plus 7.0%.

In addition, our subsidiary IRSA entered into a credit default swap agreement with Credit Suisse International which, among other provisions, secures the payment of Hoteles Argentinos indebtedness and provides that in the event of default IRSA should acquire the loan. Simultaneously with the amendment to Hoteles Argentinos loan agreement, the credit default swap agreement with Credit Suisse International was amended. Thus, IRSA would only assume 80.0% of Hoteles Argentinos indebtedness in the event of default. The remaining 20.0% was assumed by Starwood Hotels and Resorts Worldwide Inc. (Starwood), an indirect minority shareholder of Hoteles Argentinos, pursuant to the terms of a separate credit default swap agreement. To secure performance of the obligations under the agreement with Credit Suisse International, IRSA made an escrow deposit of US$1.2 million.

The loan agreement of Hoteles Argentinos provides that it may not declare or pay any dividends or make any distribution on capital stock, or purchase, redeem, retire, defease or otherwise acquire any of its own shares, or make any distribution of assets, capital stock, warrants, rights, options, obligations or securities to shareholders, except in an amount not to exceed the lesser of (i) Hoteles Argentinos excess cash flow for the preceding fiscal year, and (ii) the consolidated retained earnings and consolidated profits earned; and then only if, after giving pro forma effect to such action, no default or event of default would occur as a consequence thereof. On September 15, 2008, March 15, 2009 and September 17, 2009, installments of principal for US$ 0.2 million were repaid in each opportunity.

Alto Palermo 10% convertible notes due 2014

On July 19, 2002, Alto Palermo issued US$ 50.0 million unsecured Convertible Notes in exchange for cash and the settlement of certain liabilities owed to its shareholders. These convertible notes mature on July 19, 2014, according to the maturity date extension approved at the meeting of holders of such convertible notes on May 2, 2006. The convertible notes accrue interest payable semi-annually at a 10% fixed annual interest rate and are convertible at any time at the holder s option into shares of common stock of Ps.0.10 par value each. The conversion rate per U.S. dollar is the lower of (i) 30.8642 and (ii) the result from dividing the exchange rate prevailing on the conversion date by Alto Palermo s common shares par value. As of June 30, 2009, as a result of the conversions made, the aggregate outstanding amount of Alto Palermo s convertible notes was US$47.2 million. If all the noteholders exercise their conversion rights, Alto Palermo s common shares would increase from 782.0 million (Ps.78.2.0 million par value) to 2,239.7 million (Ps.224.0 million par value). As of June 30, 2009, IRSA held US$31.7 million of Alto Palermo s convertible notes.

IRSA s 8.5% convertible notes due 2007

On November 21, 2002, our subsidiary IRSA issued US$100.0 million of convertible notes due November 2007. The convertible notes accrue interest at 8% per annum, payable on a semi-annual basis. The conversion price is US$0.545 per common share, which means that each US$1.00 principal amount of such convertible note may be exchanged for 1.8347 common shares. Additionally, each convertible note contains a warrant attached that grants its holder an option to acquire 1.8347 shares at a price of US$0.6541 each.

From the date of issuance through June 30, 2007, the holders of IRSA s convertible notes exercised their conversion rights for a total of 81.1 million units with a face value of US$1.0 each, issuing 148.8 million common shares with a face value of Ps.1.0 each. In addition, from the date of issuance through June 30, 2007, the warrants issued by IRSA were exercised for a total amount of US$56.8 million, and 104.2 million shares were issued in exchange therefof. IRSA received funds aggregating US$68.1 million. As of September 30, 2007 the outstanding amount of convertible notes and warrants amounted to 0.9 million and 14.0 million respectively, and the amount of outstanding shares was 551,779,869.

The exercise period of the outstanding warrants and the conversion period of the convertible notes, issued on November 21, 2002, expired on November 14, 2007. During the exercise and conversion periods, the holders of warrants and convertible notes exercised a total of 99,896,806 warrants and converted a total of 99,942,343 convertible notes, increasing IRSA s capital stock to 578,676,460 common shares. As of December 31, 2007, there were no warrants or convertible notes remaining.

Alto Palermo series I and series II notes

On May 11, 2007, Alto Palermo issued two new series of notes in an aggregate principal amount of US$170 million. Series I consists of US$120 million of notes due on May 11, 2017, which accrue interest at a fixed rate of 7.875% payable semi-annually on May 11 and November 11 of each year, commencing on November 11, 2007. The Series I notes mature in a single installment on May 11, 2017.

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Series II consists of Ps.154 million (equivalent to US$50 million) of notes which mature in seven, equal and consecutive semi-annual installments commencing on June 11, 2009, and which accrue interest at 11% per annum, payable on June 11 and December 11 of each year commencing on December 11, 2007.

Acquisition of Alto Palermo s Series I Notes. During fiscal year 2009 we acquired APSA s Series I Simple Notes, accruing interest at a fixed rate and maturing in 2017 for US$ 5.0 million in nominal value, for which we paid US$ 2.1 million.

During fiscal year ended June 30, 2009 our subsidiary IRSA bought Alto Palermo s Series I Notes, at a fixed interest rate and maturing in June 2017, for US$ 39.6 million in nominal value under the Global Program of Negotiable Obligations for up to US$ 200,000,000. As a weighted average, the full price paid (including accrued but unpaid interest) was US$ 0.488 for a total amount of US$ 19.3 million.

In turn, in the course of fiscal year 2009, IRSA s subsidiary Alto Palermo repurchased some of its Series I notes for US$ 5.0 million in nominal value. As a weighted average, the price paid was US$ 0.3978 for a total amount of US$ 1.9 million.

Therefore, as of June 30, 2009, our consolidated holdings of Alto Palermo s Series I notes amounted to US$ 49.6 million in nominal value.

Acquisition of Alto Palermo s Series II Notes. During fiscal year 2009 our subsidiary IRSA bought Alto Palermo s Series II Notes, at a fixed interest rate and maturing in June 2012 (Argentine Peso-Linked Note) for US$ 15.1 million in nominal value under the Global Program of Negotiable Obligations for up to US$ 200,000,000. As a weighted average, the price paid was US$ 0.5447 for a total of US$ 8.2 million.

In turn, in the course of fiscal 2009, IRSA s subsidiary Alto Palermo repurchased some of its Series II notes for US$ 3.2 million in nominal value. As a weighted average, the price paid was US$ 0.75 for a total of US$ 2.25 million.

Therefore, as of June 30, 2009, our consolidated holdings of Alto Palermo Series II notes amounted to US$ 19.9 million in nominal value including previous holdings.

8.5% notes due 2017

On February 2, 2007, our subsidiary IRSA issued 2017 fixed rate notes for a total amount of US$150.0 million, which accrue interest at an annual interest rate of 8.5% payable semi-annually and which mature in a single installment on February 2, 2017.

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

- 50% of its cumulative consolidated net income; or
- 75% of its cumulative consolidated net income if its consolidated interest coverage ratio for its most recent four consecutive fiscal quarters is at least 3.0 to 1; or

100% of cumulative consolidated net income if its consolidated interest coverage ratio for its most recent four consecutive fiscal quarters is at least 4.0 to 1; or

100% of the aggregate net cash proceeds (with certain exceptions) and the fair market value of property other than cash received by IRSA or by its restricted subsidiaries from (a) any contribution to its capital stock or the capital stock of its restricted subsidiaries or issuance and sale of IRSA s qualified capital stock or the qualified capital stock of its restricted subsidiaries subsequent to the issue of IRSA s notes due 2017, or (b) issuance and sale subsequent to the issuance of its notes due 2017 or its indebtedness or the indebtedness of its restricted subsidiaries that has been converted into or exchanged for IRSA s qualified capital stock, plus

Any reduction in the indebtedness assumed by it or by any restricted subsidiary as a result of conversion into equity; plus

Any net reduction in investments in debt certificates (other than permitted investments) and in the returns on investments, plus

Any distribution received from unrestricted subsidiaries.

Acquisition of IRSA s notes. During fiscal year 2009, we bought IRSA s Simple Notes, accruing interest at a fixed rate and maturing in 2017, for US$ 28.2 million in nominal value, for which we paid US$ 11.6 million. As a result, our interest in IRSA s Notes as of June 30, 2009 amounted to US$ 33.2 million.

Debt structuring for the acquisition of Edificio República

On April 28, 2008 IRSA executed a loan agreement secured by a mortgage with Banco Macro S.A. pursuant to which Banco Macro S.A. lent it US$ 33,558,448 which it applied to the repayment of the outstanding balance relating to the acquisition of Edificio República for a total term of 5 years. The principal shall be repaid in five annual, equal and consecutive installments maturing on April 28 each year and accruing interest at an annual nominal 12% over balances. Interest shall be repaid in semi-annual installments, maturing on April and October 28, each year. To guarantee the repayment of the loan, a mortgage has been set up on the property known as Edificio República for the amount thereof.

In April 2009 principal installments were paid for US$ 6.7 million.

C. RESEARCH AND DEVELOPMENTS, PATENTS AND LICENSES

Investments in technology amounted to Ps.18.6 million, Ps.13.9 million and Ps.11.6 million for the fiscal years 2009, 2008 and 2007 respectively. Our total technology investments aim to increase the productivity of purchased land have amounted to Ps.176.9 million since fiscal year 1995.

We reach our objectives within this area through the implementation of domestic and international technological development projects focusing mainly on:

Quality and productivity improvement.

Increase in appreciation value of land through the development of marginal areas.

Increase in the quality of food in order to achieve global food safety standards. We aim to implement and perform according to official and private quality protocols that allow us to comply with the requirements of our present and future clients. Regarding official regulations, in 2003 we implemented the Servicio Nacional de Sanidad y Calidad Agroalimentaria law on animal identification for livestock in six farms. Simultaneously, in 2004 we implemented EurepGap Protocols with the objective of complying with European Union food safety standards and as a mean for continuous improvement of the internal management and system production of our farms. Our challenge is to achieve global quality standards.

Certification of suitable quality standards, since in recent years worldwide agriculture has evolved towards more efficient and sustainable schemes in terms of environmental and financial standpoints, where the innocuousness and quality of the production systems is becoming increasingly important. In this context, Good Agricultural Practices (GAP) have emerged, as a set of practices seeking to ensure the innocuousness of agricultural products, the protection of the environment, the workers safety and well-being, and agricultural health, with a view to improving conventional production methods. Certification of such standards allows to demonstrate the application of Good Agricultural Practices to production systems and ensures product traceability, allowing to impose stricter controls to verify the enforcement of the applicable laws.

The implementation of a system of control and assessment of agricultural tasks for analyzing and improving efficiency in the use of agricultural machinery hired. For each of the tasks, a minimum standard to be fulfilled by contractors was set, which has led to do an improvement in the plant stand upon sowing, a better use of supplies and lower harvesting losses.

We do not have any patents or licenses that are material for conducting our business.

D. TREND INFORMATION

Agricultural Business

Our future operating results may be affected by variations in some factors, such as adverse changes in the price of commodities, the yield of crops, or changes in regulations. Though a recent significant drought has affected the main productive regions of the country, with a negative impact on the agriculture and livestock sectors in the 2008/2009 farm season, historical tendencies may not be representative of our future results. Our past results must not be considered indicative of our future performance. To mitigate certain risks associated with changes in weather and prices, we seek to apply hedging mechanisms through futures and option agreements in the grain market and to diversify our geographic areas of production.

Production and sales

At present we are engaged in various operations and activities including crops, cattle breeding and fattening, milk production, and certain forestry activities. We complement our operations with the purchase and sale of land to benefit from real estate valuations.

We conduct our business on owned and leased land. As of June 30, 2009, together with our subsidiaries, we owned 25 farms. Approximately 41,740 hectares of our own land are applied to, and suitable for crop production, whereas approximately 96,064 hectares are more suitable for beef cattle production and 4,334 hectares are applied to milk production.

The remaining 356,796 hectares consist mostly of land reserves. During fiscal year 2009, we leased 74 farms for crop and beef cattle production, which together spanned a total surface of 92,410 hectares, including double crop.

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

	Uses of land Fiscal Year ended June 30,				
	2005 (1) (6)	**2006** (1) (7)	**2007** (1) (7) (8)	**2008** (1) (7) (8) (9)	**2009** (1) (7) (8) (9) (10)
	(in hectares)				
Crops (2)	39,831	41,283	53,579	63,900	115,411
Beef Cattle (3)	96,380	129,946	114,097	123,935	128,859
Milk	1,776	1,698	2,609	4,320	4,334
Sheep			90,000	90,000	100,911
Land reserves (4)	263,177	418,477	393,677	383,573	356,796
Owned farmlands leased to others	9,978	14,229	13,771	8,467	8,317
Total (5)	**411,142**	**605,633**	**667,733**	**674,195**	**714,628**

(1) Includes 35.723% of approximately 8,299 hectares owned by Agro-Uranga S.A., an affiliated Argentine company in which we own a non-controlling 35.7% interest.
(2) Includes wheat, corn, sunflower, soybean, sorghum and others.
(3) Breeding and fattening.
(4) We use part of our land reserves to produce charcoal, rods and fence posts.
(5) During fiscal year 2005, 16,299 hectares were leased for crop production. As of June 30, 2006, farmlands were leased in which 17,004 hectares were assigned to crop production and 32,647 to beef cattle production (including the Ñacurutú farm). As of June 30, 2007, 25,307 hectares were leased for crop production and 29,208 hectares were leased for beef cattle production. As of June 30, 2008, 30,449 hectares were leased for crop production and 32,895 were leased for beef cattle production. As of June 30, 2009, 59,615 hectares were leased for crop production and 32,795 were leased for beef cattle production.
(6) Includes 977 hectares of San Enrique farm and 30,350 hectares of Ñacurutú farm, sold in fiscal year 2005.
(7) Includes 6,022 hectares of San Pedro farm purchased on September 1, 2005 and approximately 162,000 hectares through our 99.99% interest in Agropecuaria Anta S.A. which holds, among other assets and rights, the concession for the start-up of production pertaining to a comprehensive development project. Does not include 5,727 hectares of El Gualicho farm sold on July 25, 2005.
(8) Does not include 20,833 hectares of Tapenagá farm, 14,516 hectares of Los Pozos farm and 50 hectares of El Recreo farm, which were sold in fiscal year 2007. Includes 24% of 170 hectares owned by Cactus Argentina S.A.
(9) Does not include 4,974 hectares of Los Pozos farm and 2,430 hectares of La Esmeralda farm, which were sold in fiscal year 2008.
(10) Includes 12,166 hectares of San Cayetano , San Rafael , La Fon Fon and Las Londras farms, which are located in Santa Cruz de la Sierra, Bolivia. Includes 50% of the 41,931 hectares of Jerovia farm located in the District of Boquerón, Paraguay, owned by Cresca S.A. through our equity interest in Agrology S.A. Does not include 1,658 hectares of Los Pozos farm sold in April 2009. Does not include 30,000 hectares of Agropecuaria Anta S.A. which were returned due to the reduction in the concession scope established by Decree No. 3766 of the Executive Branch of Salta. Includes 48% of the 170 hectares owned by Cactus Argentina S.A. Does not include 1,829 hectares of El Recreo, wich were sold in fiscal year 2009.

Crops - Local

Production income from our Crops segment increased 0.9%, from Ps.117.5 million for fiscal year 2008 to Ps.118.6 million for fiscal year 2009, primarily as a result of a 8.9% increase in total production volumes, from 198,146 tons in fiscal year 2008 to Ps.215,857 tons in fiscal year 2009, mainly due to an increase in volumes of corn (9.9%), soybean (5.2%) and sunflower (40.4%) harvested, partially offset by a decrease of 1.0% in volumes of wheat harvested from year to year; and a 7.2% decrease in average prices of grain production.

The 8.9% increase in the production volume from our Crops segment was mainly due to our harvest of a larger area of crops, from 59,639 hectares in fiscal year 2008 to 100,925 hectares in fiscal year 2009 (including 8,067 hectares under concession through our subsidiary Agropecuaria Anta S.A.)

As of June 30, 2009, the harvested surface was 94.8% of our total sown surface, compared to 91.6% as of June 30, 2008.

In addition, the production volume in our Crops segment was adversely impacted by a 35.6% decrease in our average yields, from 3.32 tons per hectare during fiscal year 2008 to 2.14 tons per hectare in fiscal year 2009, mainly as a result of a 69.2% increase in the exploited surface in fiscal year 2009 compared to the previous year, the mix of grains harvested and unfavorable weather conditions.

The average grain price (at market value) increased 8.9%, from Ps.558 per ton for fiscal year 2008 to Ps.607 per ton for fiscal year 2009.

Cost of production from our Crops segment increased 93.7%, from Ps.82.2 million in fiscal year 2008 to Ps.159.1 million in fiscal year 2009, primarily as a consequence of a higher production volume in fiscal year 2009 compared to the previous year, an increase in direct and indirect costs of production during fiscal year 2009 compared to the previous year, primarily as a result of higher prices of leases and supplies used (agrochemicals and seeds), and a larger number of hectares exploited during fiscal year 2009 (mainly leased to third parties) compared to the previous year.

Cost of production per ton increased 77.8%, from Ps.416 in fiscal year 2008 to Ps.740 in fiscal year 2009, primarily as a result of higher costs of production and lower yields per hectare during the current fiscal year.

Sales from our Crops segment increased 70.0%, from Ps.86.9 million in fiscal year 2008 to Ps.147.7 million in fiscal year 2009, primarily as a consequence of a 56.2% increase in the sales volume, from 156,718 tons in fiscal year 2008 to 244,853 tons in fiscal year 2009, mainly due to a higher grain production volume during fiscal year 2009 and a higher level of grain inventories at the beginning of the year (112,174 tons at the beginning of fiscal year 2009 compared to 74,563 tons at the beginning of fiscal year 2008); and a 8.9% increase in average prices of grains sold, from Ps.558 per ton in fiscal year 2008 to Ps.607 per ton in fiscal year 2009.

Cost of sales from our Crops segment increased 71.2%, from Ps.76.0 million in fiscal year 2008 to Ps.130.1 million in fiscal year 2009, primarily as a result of a 56.2% increase in the volume of grain sold in fiscal year 2009 compared to the previous year, and a 8.9% increase in the average market price of grains in fiscal year 2009.

The average cost per ton sold increased 9.6%, from Ps.485 in fiscal year 2008 to Ps.531 in fiscal year 2009, mainly as a result of the higher average market prices of grains.

Crops - International

Production income from our Crops segment amounted to Ps.15.6 million in fiscal year 2009, mainly as a result of global production of 21,174 tons in fiscal 2009 corresponding to corn and soybean crops; and average price of grain production of Ps.281 and Ps.955 for corn and soybean crops, respectively.

The surface area devoted to our Crops segment production was 9,950 hectares. The yield per hectare was 4.10 and 1.73 tons per hectare for corn and soybean, respectively.

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Cost of production from our Crops segment was Ps.16.8 million in fiscal year 2009. The total cost of production per ton was Ps.794, higher than expected mostly as a result of an increased use of supplies for production and higher costs of soil preparation and improvement, due to the commencement of operations.

Sales from our Crops segment amounted to Ps.16.8 million in fiscal year 2009, mainly as a result of a sales volume of 4,500 and 14,161 tons of corn and soybean, respectively, and an average price of grains sold during the year of Ps.400 and Ps.1,058 for corn and soybean crops, respectively.

Cost of sales from our Crops segment amounted to Ps.14.9 million in fiscal year 2009. The average cost per ton was Ps.799 during the current fiscal year.

Beef Cattle

Production income for the Beef Cattle segment decreased 24.3%, from Ps.23.9 million for fiscal year 2008 to Ps.18.1 million for fiscal year 2009, primarily as a result of a 6.4% decrease in the average price per kilogram of cattle produced, from Ps.2.7 during fiscal year 2008 to Ps.2.6 during fiscal year 2009 and 19.1% decrease in the production volume of beef, from 8,786 tons for fiscal year 2008 to 7,112 tons for fiscal year 2009, in part as a result of a 78.6% decrease in the production volume of heads finished in the feedlot during fiscal year 2009 compared to the previous year; the effect of the drought, which led to the transfer of beef cattle to other farms, thus generating alterations in feeding; in addition, as a consequence of the winter, we obtained grass of lower quality, which affected slaughtering and subsequent sale in previous stages and a slight 5.8% decrease in births during fiscal year 2009 compared to fiscal year 2008.

The number of hectares dedicated to beef cattle production increased from 123,894 hectares in fiscal year 2008 to 128,859 hectares in fiscal year 2009. This increase was mainly due to the conversion of hectares of land reserve into cattle production hectares in the Los Pozos farm during fiscal year 2009.

Cost of production from our Beef cattle segment decreased 15.9%, from Ps.19.3 million in fiscal year 2008 to Ps.16.2 million in fiscal year 2009. The lower cost of production from our Beef cattle segment during fiscal year 2009 is mainly attributable to lower volume of cattle beef production, mostly derived from a lower number of cattle heads finished in the feedlot and lower feeding costs due to the decrease in the number of heads fattened in the feedlot, partially offset by increased prices of supplies and the effects of the drought requiring higher feed portion volumes.

The direct cost per kilogram produced decreased 31.0%, from Ps.1.29 in fiscal year 2008 to Ps.0.89 in fiscal year 2009.

Sales from our Beef cattle segment decreased 45.6%, from Ps.32.4 million in fiscal year 2008 to Ps.17.6 million in fiscal year 2009, primarily as a result of a 45.6% decrease in beef sales volume, from 11,677 tons in fiscal year 2008 to 6,348 tons in fiscal year 2009, as a result of a lower production volume of cattle finished in the feedlot and delays in steer fattening due to the drought.

The average cattle stock increased from 92,555 heads in fiscal year 2008 to 94,460 heads in fiscal year 2009, primarily as a result of the lower volume of sales described above.

Cost of sales from our Beef cattle segment decreased 45.9%, from Ps.30.0 million in fiscal year 2008 to Ps.16.2 million in fiscal year 2009, primarily as a result of a 45.6% decrease in the beef sales volume in fiscal year 2009; and an average price of Ps.2.78 per kilogram sold in both periods.

Milk

Production income for the Milk segment increased 9.7%, from Ps.18.4 million in fiscal year 2008 to Ps.20.2 million in fiscal year 2009. This increase was mainly due to a 9.9% increase in average prices of milk, from Ps.0.85 per liter in fiscal year 2008 to Ps.0.93 in fiscal year 2009 and a slight 0.3% increase in milk production volumes, from 20.8 million liters in fiscal year 2008 to 20.9 million liters in fiscal year 2009. This increase in production volume was mainly due to (i) an increase in the average number of milking cows (from 3,174 in fiscal 2008 to 3,286 in fiscal 2009); and (ii) partially offset by a slight 3.1% decrease in the efficiency level of average daily milk production per cow, from 18.0 liters in fiscal year 2008 to 17.4 liters in fiscal year 2009.

Cost of production for the Milk segment increased 28.0%, from Ps.14.3 million in fiscal year 2008 to Ps.18.3 million in fiscal year 2009. This increase was mainly due to the impact of higher indirect and feeding costs as a consequence of the drought, which generated an increased use of dietary supplements.

As a result of the above, cost of production per liter of milk increased from Ps.0.69 in fiscal year 2008 to Ps.0.89 in fiscal year 2009.

Sales from our Milk segment increased 10.2%, from Ps.17.5 million in fiscal year 2008 to Ps.19.3 million in fiscal year 2009, primarily as a result of a 9.9% increase in average prices of milk, from Ps.0.85 per liter in fiscal year 2008 to Ps.0.93 per liter in fiscal year 2009; and a 0.3% increase in production volume mainly due to a higher number of dairy cows being milked, slightly offset by a decrease in the efficiency level of production.

Cost of sales from our Milk segment increased 9.6%, from Ps.17.6 million in fiscal year 2008 to Ps.19.3 million in fiscal year 2009, primarily as a result of a 9.9% increase in the level of prices of milk which had an impact on the cost of sales; and a 0.2% increase in the sale volume of milk.

Farmlands

Sales from our Sales of farmland segment decreased 91.5% from Ps.23.0 million in fiscal year 2008 to Ps.2.0 million in fiscal year 2009. During fiscal year ended June 30, 2009, we signed the deed of sale for two parcels of land in El Recreo farm (1,829 hectares) located in the Province of Catamarca for a price of Ps.1.1 million (US$0.36 million). Additionally we signed the deed of sale for 1,658 hectares of Los Pozos farm located in the Province of Salta for a price of Ps.2.0 million (US$ 0.5 million). During fiscal year ended June 30, 2008, we signed the deed of sale for a parcel of land of 4,974 hectares of the Los Pozos farm located in the Province of Salta for a price of Ps.3.5 million (US$ 1.1 million) and we sold a parcel of land of 2,430 hectares of the La Esmeralda farm located in the Province of Santa Fe for a price of Ps.19.5 million (US$ 6.2 million).

Cost of sales from our Sales of farmland segment decreased 96.9% from Ps.3.0 million in fiscal year 2008 to Ps.0.1 million in fiscal year 2009. During fiscal year ended June 30, 2009, the cost of sales of the 1,829 hectares of our El Recreo farm was Ps.0.2 million and was recognized in the prior fiscal year as established in Technical Resolution No. 17 and the cost of sales of the 1,658 hectares of our Los Pozos farm was Ps.0.1 million. During fiscal year ended June 30, 2008, the cost of sales of a parcel of land of 4,974 hectares of our Los Pozos farm was Ps.0.3 million and the cost of sales of a parcel of land of 2,430 hectares of our La Esmeralda farm was Ps.2.7 million.

Product Prospects

The sources of the following information are the Ministerio de Agricultura, Pesca y Alimentación de la República Argentina, the United States Department of Agriculture (USDA) and the Food and Agriculture Organization of the United Nations (FAO).

Wheat

USDA projections for the 2009/2010 campaign at global level estimate a production of approximately 671.9 million tons of wheat, 1.6% lower than the previous campaign, when crop growing conditions were excellent in most producing countries. As regards Argentina, the USDA projects an 8.0 million ton production for the 2009/2010 season, 4.8% lower than the prior year campaign, and 55.6% lower than the amount harvested in the 2007/2008 campaign. The rising prices of supplies required for wheat implantation, the lower producer prices prospects, coupled with the prolonged dry weather during the previous campaign, have had an impact on the incentive to grow this crop.

The FAO forecasts that the world wheat output in 2009 is at 678,6 million tones, 0.4% lower than the previous year. In South America, the FAO estimates that a 4% decrease in the production, largely as a consequence of the drought that has affected Argentina since May. For 2010, the sown area is expected to be down in North America and the European Union, partially offset by an increase in the wheat area in East Europe and in Asia.

Corn

Globally, the USDA estimates a 0.3% decrease in corn production for the 2009/2010 campaign, totaling 789.7 million tons vis-à-vis 791.9 million tons in the previous cycle. The sown area is estimated in 156.9 million hectares, which remained relatively unchanged compared to the previous campaign.

For Argentina, the USDA estimates that corn production would reach approximately 14.0 million tons, 11.1% higher than in the 2008/09 campaign.

Soybean

In the case of soybean, for the 2009/2010 campaign, the USDA projects a world production of 250.2 million tons, 18.7% more than the previous year. Most of this increase arises from the estimation that a recovery will take place in Argentina and Brazil, which were undergoing a severe drought in the major productive regions in the previous campaign.

For Argentina, the USDA estimates project a production of 53.0 million tons for the 2009/10 campaign, 65.6% higher than that of 2008/09, and 14.7% higher than the 2007/08 campaign.

Sunflower

Globally, sunflower production for the 2009/2010 campaign is projected at approximately 31.7 million tons compared to 33.1 million tons in the previous year.

According to the USDA s report, the Argentine production of sunflower is forecast to be 3.2 million tons, 11.4% higher than the 2008/09 campaign.

Beef Cattle

In connection with world beef cattle production, for 2009 the FAO estimates a 1.2% decrease, reaching 64,4 million tons. This sector has been affected by a falling consumer demand and poor pastures conditions, as a consequence, a decrease in the beef cattle production is expected in Australia, Brasil, China, the European Union, the Russian Federation, Ukraine and the United States. In addition, in 2010, beef cattle production is expected to fall to 64.0 million tones.

On the other hand, Argentina has been affected by a longstanding drought which has impacted cattle stocks. In addition, this sector has been affected by the high prices of supplies and cumbersome access to credit. Consequently, according to FAO estimates, production is forecast to remain in the order of 3.1 million tones in Argentina during 2009.

Milk

According to the FAO, during 2009, the world production of milk is expected to reach 701 million tones, 1.3% higher than the previous year. This increase is below the average rate of growth of world milk production of 2.0% prevailing during the previous decade. Production will grow more in developing countries than in developed countries and, accordingly, an increase of 4% is expected in the developing countries in 2010 and a stagnation of output in the developed countries in 2010. The production in Asia is estimated to grow by 3% in 2009 and 4% in 2010. In Europe, output is expected to remain relatively unchanged in 2009 and in 2010 and in the United States, milk production is estimated to decrease 1% in 2009 and to fall 1% in 2010 as a result of higher cost of feeding cattle and the low price incentives. In addition, a slowdown in the rate of growth in South America is anticipated due to adverse weather conditions and poorer pastures.

For Argentina, the FAO forecasts that production is expected to reach 10.4 million liters during 2009 1% higher than that of 2008. This increase is lower than that of the period 2007/2008 as a consequence of adverse weather conditions. According to the FAO, the production increased at the end of the period as a consequence of the improved weather condition and compensation (Ps.0.20 per litre) provided by the Government in July 2009.

Real Estate Business

After the economic crisis suffered last year, the global economy is moving forward to an expansion track together with much better financial conditions. According to IMF World Economic Outlook released in October 2009, world total output will reduce 1.1 % in 2009, while it is projected that it will grow around 3.1 % in 2010. This is mainly because financial market sentiment and risk appetite have rebounded, banks have raised capital and wholesale funding markets have reopened, and emerging market risks have eased.

Within this international context, Argentina s GDP is expected to rebound for year 2010, in the year 2009 to date a slow-down has been perceived in the level of activity: the EMAE indicator, a monthly estimate of economic activity, shows a recovery and growth for August and September while it showed a slowdown for the precious months and is forecasted, by Estudio Broda & Asoc, to have a negative growth of 3.2% for the whole calendar 2009. Nevertheless, IRSA believes that its business lines are well positioned to face a scenario of reduced economic growth thanks to its levels of cash flow generation and long term debt maturity profiles.

As regards macroeconomic indicators, though the country s fiscal surplus has deteriorated during the first ten months of 2009 compared to the same period of the previous fiscal year, Argentina s external accounts have performed favorably as the current account is projected to yield a US$ 8,600 million surplus in 2009, 13.4% higher than the figure posted a year earlier. Therefore,

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the Argentine Central Bank maintains a solid position in terms of reserves and as of October, 2009 it had succeeded in accumulating US$ 46,949 million. On top of the stabilization perceived in global financial conditions, the above circumstances have helped to improve liquidity conditions in the local market and access to credit by companies. For more information see Item 3 Risk Factors Risk related to Argentina there are concern about accuracy of Argentina s official inflation statistics .

As concerns the various sectors of the economy, the main indicators show a certain slow-down in the pace of growth of activities. As concerns the construction industry, according to the data shown by the Indicator of Construction Activities (ISAC, in Spanish) prepared by the Argentine Institute of Statistics and Censuses (INDEC), construction activities showed an insignificant growth (0.07 %) in October 2009 compared to the same month of the previous fiscal year, meaning that this activity is back to the levels it had before the crisis gained momentum. As regards retail sales, accumulated sales in supermarkets and shopping centers altogether have grown 16.7 % accounting for the period January-October 2009 compared to the same period last year.

As regards the demand for homes in the residential real estate market after the shrinkage in demand seen in the first half of the year, home prices remained relatively stable and there was an increase in the number of real estate transactions closed in the third calendar quarter of 2009. Compared to other countries, no sub-prime mortgage crisis is to be expected in our market affecting the value of homes as it occurred in other economies because home loans here still stand for less than 2% of this country s GDP.

As concerns the office rental market in Buenos Aires, since the end of 2008 and as a result of the changes occurred in the economic scenario and the larger availability of surface area mainly due to the addition of footage to the market, there was an increase in vacancy rates which affected the general market price levels.

As regards the hotel sector, according to the data released by the Tourism Secretariat in its International Tourism Survey (ETI) as of September, 2009 the number of tourists arriving in Argentina (accumulated 12-month data) fell by approximately 16% compared to the cumulative figures for the same period a year earlier. That was mainly due to the impact of the worldwide financial crisis and the H1N1 Influenza outbreak.

A return to an adequate pace of growth is widely expected for Argentine GDP during the next year. A confirmation of these expectations coupled with the strong position of Argentine Central Bank reserves, the country s competitive position in the world food export markets and the probable restructuring of the remaining sovereign debt could lead to improved consumer and investor confidence. Given this scenario, IRSA expects a growth in transaction volumes for the local financial markets, leading to credit expansion and the persistence of trends observed in the last few months showing stabilization and reduction on local spreads levels. Of course, no assurances can be given about the materialization of these economic expectations, the continuation of current favorable trends and the sustainability of credit expansions.

Despite an overall less favorable context, IRSA s segments continue to show a robust position in the current scenario thanks to the quality of our assets, which the market still perceives as attractive. This in turn translates into high levels of occupancy and cash generation combined with low short-term indebtedness. This allows IRSA to assert that we are in a position to sustain its market leadership.

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E. OFF-BALANCE SHEET ARRANGEMENTS

Agricultural Business

In the ordinary course of business, FyO.com guarantees certain brokerage transactions. Under the agreement, FyO.com guarantees the performance of the producer in case it does not comply with the physical delivery. The Company has recourse against the non-performing party. As of June 30, 2009, the value of transacted merchandise for which guarantees were granted amounted to Ps.9.1 million. As of the date of this Annual Report, there were non-performing parties under the agreements for which the Company had to respond as guarantor. As of the date of this Annual Report, the value of transacted merchandise for which guarantees were granted amounted to Ps.7.1 million.

Real Estate Business

At June 30, 2009, we did not have any off-balance sheet transactions, arrangements or obligations with unconsolidated entities or others that are reasonably likely to have a material effect on our financial condition, results of operations or liquidity.

F. TABULAR DISCLOSURE OF CONTRACTUAL OBLIGATIONS

The following table shows our contractual obligations as of June 30, 2009:

		Payments due by period (In million of Pesos) (5)			
Detail	**Total**	**Less than 1 year**	**More than 1 year and up to 3 years**	**More than 3 years and up to 5 years**	**More than 5 years**
Non-convertible notes (1) (2)	747.6	24.8	48.1	(2.3)	677.0
Non-convertible notes accrued interest (1) (2)	580.8	74.6	149.9	94.1	262.2
Convertible notes (3)	58.7				58.7
Convertible notes accrued interest	32.4	5.9	11.8	11.8	2.9
Charitable donations (4)	1.1	1.1			
Guaranteed loans	153.1	58.2	66.3	28.6	
Non-guaranteed loans	250.4	250.4			
Secured obligations	146.6	57.3	89.3		
Non-secured obligations	123.8	71.4	23.5	7.8	21.1
Management fee payable (4)					
Total	2,094.5	543.7	388.9	140.0	1,021.9

(1) APSA s Serie I notes accrues interest at a fixed rate of 7.875% per annum, APSA s Serie II notes accrues interest at a fixed rate of 11.0% per annum and IRSA s notes accrues interest at a fixed rate of 8.5% per annum.
(2) Includes expenses of issuance of debt (under AR GAAP expenses incurred in connection with the issuance of debt are classified as debt from short to long term, as appropriate).
(3) Accrues interest at a fixed rate of 10.0% per annum.
(4) Obligations do not accrue interest.
(5) Includes accrued and prospecting interest.

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G. SAFE HARBOR

See the discussion at the beginning of this Item 5 and Forward Looking Statements in the introduction of this annual report, for forward-looking statement safe harbor provisions.

Item 6. Directors, Senior Management and employees

DIRECTORS AND SENIOR MANAGEMENT

Board of Directors

We are managed by a board of directors, which consists of ten directors and five alternate directors. Each director and alternate director is elected by our shareholders at an annual ordinary meeting of shareholders for a three-year term, provided, however, that only one third of the board of directors is elected each year. The directors and alternate directors may be re-elected to serve on the board any number of times. There are no arrangements or understandings pursuant to which any director or person from senior managements is selected.

Our current board of directors was elected at the shareholders meetings held on October 10, 2007, October 31, 2008, and October 29, 2009, for terms expiring in the years 2009, 2010 and 2011 as the case may be. Our current directors are as follows:

Directors(1)	Date of Birth	Position in Cresud	Term Expires(2)	Date of Current Appointment	Current Position Held Since
Eduardo S. Elsztain	01/26/1960	Chairman	06/30/11	10/31/08	1994
Saúl Zang	12/30/1945	First vice- chairman	06/30/11	10/31/08	1994
Alejandro G. Elsztain	03/31/1966	Second vice- chairman and CEO	06/30/10	10/10/07	1994
Gabriel A.G. Reznik	11/18/1958	Director	06/30/09	10/31/06	2003
Jorge Oscar Fernández	01/08/1939	Director	06/30/12	10/29/09	2003
Fernando A. Elsztain	01/04/1961	Director	06/30/10	10/10/07	2004
David A. Perednik	11/15/1957	Director and chief administrative officer	06/30/10	10/10/07	2004
Pedro Damaso Labaqui Palacio	02/22/1943	Director	06/30/12	10/29/09	2006
Daniel E. Mellicovsky	01/17/1948	Director	06/30/11	10/31/08	2008
Alejandro Gustavo Casaretto	10/15/1952	Director	06/30/11	10/31/08	2008
Salvador D. Bergel	04/17/1932	Alternate director	06/30/11	10/31/08	1996
Juan C. Quintana Terán	06/11/1937	Alternate director	06/30/11	10/31/08	1994
Gastón A. Lernoud	06/04/1968	Alternate director	06/30/11	10/31/08	1999
Enrique Antonini	03/16/1950	Alternate director	06/30/10	10/10/07	2007
Eduardo Kalpakian	03/03/1964	Alternate director	06/30/10	10/10/07	2007

(1) The business address of our management is Cresud S.A.C.I.F.I. y A., Moreno 877, 23rd Floor, (C1091AAQ) Buenos Aires, Argentina.
(2) Term expires at the annual ordinary shareholders meeting.

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Jorge Oscar Fernandez, Pedro Dalmaso Labaqui Palacio, Daniel Elias Mellicovsky,Enrique Antonini and Eduardo Kalpakian, qualify as independent, in accordance with *Comisión Nacional de Valores* Resolution N° 400/2002.

The following is a brief biographical description of each member of our board of directors:

Eduardo S. Elsztain. Mr. Elsztain studied Economic Sciences at University of Buenos Aires (*Universidad de Buenos Aires*). He has been engaged in the real estate business for more than twenty years. He is the chairman of the board of directors of Alto Palermo S.A. (APSA), IRSA, Cresud S.A.C.I.F. y A., Shopping Alto Palermo S.A., Consultores Asset Management, Banco Hipotecario and BACS Banco de Crédito & Securitización (BACS), among other companies. He is also director of BrasilAgro and trustee of Hersha Hospitality Trust among other companies. He is Fernando A. Elsztain s cousin and Alejandro G. Elsztain s and Daniel R. Elsztain s brother.

Saúl Zang. Mr. Zang obtained a law degree from University of Buenos Aires (*Universidad de Buenos Aires*). He is a member of the International Bar Association (Asociación Internacional de Abogados) and the Interamerican Federation of Lawyers (Federación Interamericana de Abogados). He is a founding member of the law firm Zang, Bergel & Viñes. He is also first vice-chairman of the board of directors of IRSA and Shopping Alto Palermo S.A., and vice-chairman of Alto Palermo, Puerto Retiro and Fibesa; and director of Banco Hipotecario, Nuevas Fronteras S.A., Tarshop and Palermo Invest S.A.

Alejandro G. Elsztain. Mr. Elsztain obtained a degree in agricultural engineering from University of Buenos Aires (*Universidad de Buenos Aires)*. He is chairman of Inversiones Ganaderas S.A. and Cactus Argentina. He is also second vice-chairman of IRSA and executive vice-chairman of Alto Palermo and Shopping Alto Palermo S.A. He is a member of the board of directors of Futuros y Opciones S.A. Mr. Alejandro G. Elsztain is the brother of our chairman, Eduardo S. Elsztain, and cousin of Fernando A. Elsztain.

Gabriel A. G. Reznik. Mr. Reznik obtained a degree in Civil Engineering from University of Buenos Aires (*Universidad de Buenos Aires)*. He worked for IRSA since 1992 until May 2005 at which time he resigned. He formerly worked for an independent construction company in Argentina. He is an alternate director of Puerto Retiro S.A., Tarshop S.A. and Fibesa, as well as member of the board of Banco Hipotecario, among others.

Jorge Oscar Fernández. Mr. Fernández obtained a degree in Economic Sciences from University of Buenos Aires (*Universidad de Buenos Aires)*. He has performed professional activities at several banks, financial corporations, brokerage and insurance firms and other companies related to financial services. He is also involved in many industrial, commercial and professional institutions and associations.

Fernando A. Elsztain. Mr. Elsztain studied architecture at University of Buenos Aires (*Universidad de Buenos Aires)*. He has been engaged in the real estate business as a consultant and as managing officer of a real estate company. He is chairman of the board of directors of Llao Llao Resorts S.A., Palermo Invest S.A. and Nuevas Fronteras S.A. He is also a director of IRSA, Alto Palermo, Shopping Alto Palermo, Hoteles Argentinos and Tarshop and alternate director of Banco Hipotecario and Puerto Retiro. He is the cousin of our director chief executive officer Alejandro Elsztain and of our chairman Eduardo S. Elsztain.

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David A. Perednik. Mr. Perednik obtained a degree in accounting from University of Buenos Aires (*Universidad de Buenos Aires)*. He has worked for several companies such as Marifran Internacional S.A., a subsidiary of Louis Dreyfus Amateurs where he worked as Financial Manager from 1986 to 1997. He also worked as a Senior Consultant in the administration and systems department of Deloitte & Touche from 1983 to 1986. He is also chief administrative officer of IRSA and Alto Palermo.

Pedro Damaso Labaqui Palacio. Mr. Labaqui obtained a law degree from University of Buenos Aires (Universidad de Buenos Aires). He is also director of Bapro Medios de Pago S.A., Permanent Syndic of Bayfe S.A. Fondos Comunes de Inversión, director and member of the Supervisory Committee of J. Minetti S.A.; and Director of REM Sociedad de Bolsa S.A.

Daniel E. Mellicovsky. Mr. Mellicovsky obtained a degree in accounting from the University of Buenos Aires (*Universidad de Buenos Aires*). He has served as director of several companies of the agricultural, food supplies, financial and hotel development sectors.

Alejandro G. Casaretto. Mr. Casaretto obtained a degree in agriculture from University of Buenos Aires (*Universidad de Buenos Aires)*. He has served as our technical manager, farm manager, and technical coordinator since 1975.

Salvador D. Bergel. Mr. Bergel obtained a law degree and a PhD from Litoral University (*Universidad Nacional del Litoral)*. He is a founding partner of Zang, Bergel & Viñes and a consultant at Repsol YPF S.A. He is also an alternate director of Alto Palermo.

Juan C. Quintana Terán. Mr. Quintana Terán obtained a law degree from University of Buenos Aires (*Universidad de Buenos Aires)*. He is also a consultant at Zang, Bergel & Viñes law firm. He has been chairman and Judge of the National Commercial Court of Appeals of the City of Buenos Aires (Cámara Nacional de Apelaciones en lo Comercial). He is an alternate director of Alto Palermo.

Gastón Armando Lernoud. Mr. Lernoud obtained a law degree from El Salvador University (*Universidad de El Salvador)* in 1992. He obtained a Masters degree in Corporate Law in 1996 from Palermo University (*Universidad de Palermo)*. He was a senior associated member of Zang, Bergel & Viñes law firm until June 2002, when he joined Cresud s lawyers.

Enrique Antonini. Mr. Antonini holds a degree in law from the University of Buenos Aires. He is currently a member of the board of directors of Banco Mariva S.A. (since 1992), Mariva Bursátil S.A. (since 1997). He has also served as a director of Inversiones y Representaciones S.A. from 1993 to 2002. He is a member of the Banking Lawyers Committee and the International Bar Association.

Eduardo Kalpakian. Mr. Kalpakian holds a degree in business from the University of Belgrano. He has also an MBA from the CEMA University of Argentina. He has been a director for 25 years of Kalpakian Hnos. S.A.C.I., a leading carpet manufacturer and flooring distributor in Argentina, as a director and is currently is vice chairman of the board and CEO. He is also vice chairman of the board of La Dormida S.A.A.C.E I.

Employment contracts with our directors

We do not have written contracts with our directors. However, Mr. Eduardo Elsztain, Saúl Zang, Alejandro Elsztain, Fernando Elsztain, David Perednik and Alejandro Casaretto are employed by us under the Labor Contract Law No. 20.744. This law governs certain conditions of the labor relationship, including remuneration, protection of wages, hours of work, holidays, paid leave, maternity protection, and minimum age requirements, protection of young workers and suspension and termination of the contract.

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Management

Our board of directors appoints and removes the senior management. Senior management performs its duties in accordance with the instructions of our board of directors. There are no arrangements by which a person is selected as a member of our senior management.

The following table shows information about our current senior management designated by the board of directors meeting:

Name	Date of Birth	Position	Current Position Held Since
Alejandro G. Elsztain	03/31/1966	Chief Executive Officer	1994
Gabriel Blasi	11/22/1960	Chief Financial Officer	2004
Alejandro Bartolomé	12/09/1954	General Manager of Argentine Operations	2008
David A. Perednik	11/15/1957	Chief Administrative Officer	1997
Alejandro Casaretto	10/15/1952	Regional Manager of Agricultural Real Estate	2008
Carlos Blousson	09/21/1963	General Manager of the International Operation (Paraguay/ Bolivia/ Uruguay)	2008

The following is a biographical description of each of our senior managers who are not directors:

Gabriel Blasi. Mr. Blasi obtained a business administration degree and carried out post graduate studies in Finance at CEMA University (*Universidad del* CEMA, *Centro de Estudios Macroeconómicos Argentinos*) and at Austral University (*IAE, Universidad Austral)*. He formerly worked as a senior securities trader at Citibank. He also performed several management positions related to investment banking and capital markets at Banco Río (BSCH) and was a financial director of Carrefour Group and Goyaique SACIFIA (Grupo Perez Companc). Currently, he also serves as chief financial director of IRSA and Alto Palermo.

Alejandro Bartolomé. Mr. Bartolomé obtained a degree in agriculture from University of Buenos Aires (*Universidad de Buenos Aires)* and a Master s degree in Animal Production from University of Reading (England). He was treasurer of CREA Monte Buey Inriville and coordinator of the Dairy Group Santa Emilia from 1993 until 1996. He also worked as a farm manager and was associated to a farm management company called Administración Abelenda, Magrane, Anchorena.

Carlos Blousson. Mr. Blousson obtained a degree in agriculture from University of Buenos Aires (*Universidad de Buenos Aires)*. He has been working as our Sales Officer since 1996. Prior to joining Cresud, he worked as a futures and options operator at Vanexva Bursátil Sociedad de Bolsa-. Previously, he worked as a farm manager and a technical advisor at Leucon S.A.

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Executive Committee

Pursuant to our by-laws, our day-to-day business is managed by an executive committee consisting of a minimum of four and a maximum of seven directors and one alternate member, among which there should be the chairman, first vice-chairman and second vice-chairman of the board of directors. The current members of the Executive Committee are Messrs. Eduardo S. Elsztain, Saúl Zang, Alejandro Elsztain. The executive committee meets as needed by our business, or at the request of one or more of its members.

The executive committee is responsible for the management of the day to day business, pursuant to delegation from Board of Directors in accordance with applicable law and our by-laws. Our by-laws authorize the executive committee to:

- designate the managers and establish the duties and compensation of such managers;
- grant and revoke powers of attorney on behalf of us;
- hire, discipline and fire personnel and determine wages, salaries and compensation of personnel;
- enter into contracts related to our business;
- manage our assets;
- enter into loan agreements for our business and set up liens to secure our obligations; and
- perform any other acts necessary to manage our day-to-day business.

Supervisory Committee

Our Supervisory Committee is responsible for reviewing and supervising our administration and affairs, and verifying compliance with the bylaws and the decisions adopted at shareholders meetings. The members of the Supervisory Committee are appointed at the annual general ordinary shareholders meeting for a term of one year. The Supervisory Committee is composed of three members and three alternate members.

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The following table shows information about the members of our Supervisory Committee, who were elected in the annual general ordinary shareholders meeting which was held on October 29, 2009:

Member	Date of Birth (m/d/y)	Position
José Daniel Abelovich	07/20/1956	Member
Marcelo Héctor Fuxman	11/30/1955	Member
Roberto Murmis	04/07/1959	Member
Alicia Rigueira	12/02/1951	Alternate member
Sergio Kolaczyk	11/28/1964	Alternate member
Silvia Cecilia de Feo	10/07/1958	Alternate member

All members of the supervisory committee qualify as independent, in accordance with *Comisión Nacional de Valores* Resolution No. 400/2002.

Set forth below is a brief biographical description of each member of our Supervisory Committee:

José D. Abelovich. Mr. Abelovich obtained a degree in accounting from the University of Buenos Aires (*Universidad de Buenos Aires)*. He is a founding member and partner of Abelovich, Polano & Asociados S.R.L. / Nexia International, a public accounting firm in Argentina. Formerly, he had been a manager of Harteneck, López y Cía/Coopers & Lybrand and has served as a senior advisor in Argentina for the United Nations and the World Bank. He is a member of the Supervisory Committees of Alto Palermo, Shopping Alto Palermo, Hoteles Argentinos, Inversora Bolívar, IRSA and Banco Hipotecario S.A.

Marcelo H. Fuxman. Mr. Fuxman obtained a degree in accounting from the University of Buenos Aires (*Universidad de Buenos Aires)*. He is a partner of Abelovich, Polano & Asociados S.R.L. / Nexia International, a public accounting firm in Argentina. He is also a member of the Supervisory Committee of Alto Palermo, Shopping Alto Palermo, Inversora Bolívar, IRSA and Banco Hipotecario S.A.

Roberto Murmis. Mr. Murmis holds a degree in accounting from the University of Buenos Aires (*Universidad de Buenos Aires)*. Mr. Murmis is a partner at Abelovich, Polano & Asociados S.R.L / Nexia International. Mr. Murmis worked as an advisor to the Secretaría de Ingresos Públicos. Furthermore, he is a member of the Supervisory Committee of Shopping Alto Palermo, Futuros y Opciones S.A., Llao Llao Resorts S.A. and IRSA.

Alicia Graciela Rigueira. Mrs. Rigueira holds a degree in accounting from the Universidad de Buenos Aires. Since 1998 she has been a manager at Estudio Abelovich, Polano & Asociados / Nexia International. From 1974 to 1998, Mrs. Rigueira performed several functions in Harteneck, Lopez y Cia affiliated with Coopers & Lybrand. Mrs. Rigueira lectured at the Facultad de Ciencias Económicas de la Universidad de Lomas de Zamora.

Sergio Leonardo Kolaczyk. Mr. Kolaczyk obtained a degree in accounting from the University of Buenos Aires (*Universidad de Buenos Aires)*. He is a professional of Abelovich, Polano & Asociados S.R.L. / Nexia International. He is also an alternate member of the Supervisory Committee of Alto Palermo and IRSA.

Silvia De Feo. Mrs. De Feo obtained a degree in accounting from the University of Belgrano (*Universidad de Belgrano)*. She is a manager at Abelovich, Polano & Asociados S.R.L. / Nexia International, an accounting firm in Argentina and former manager at Harteneck, Lopez & Cía./Coopers & Lybrand. She is also a member of the Supervisory Committees of Shopping Alto Palermo, Inversora Bolivar, Baldovinos S.A. and IRSA.

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KEY EMPLOYEES

There are no key employees.

B. COMPENSATION

Compensation of directors

Under Argentine law, if the compensation of the members of the board of directors is not established in the by-laws of the company, it should be determined by the shareholders meeting. The maximum amount of total compensation to the members of the board of directors, including compensation for technical or administrative permanent activities, cannot exceed 25% of the earnings of the company. That amount should be limited to 5% when there is no distribution of dividends to shareholders, and will be increased proportionally to the distribution. When one or more directors perform special commissions or technical or administrative activities, and there are no earnings to distribute, or they are reduced, the shareholders meeting may approve compensation in excess of the above-mentioned limits.

The compensation of our directors for each fiscal year is determined pursuant to Argentine law, and taking into consideration whether the directors performed technical or administrative activities and our fiscal year s results. Once the amount is determined, they are considered at the shareholders meeting.

At our shareholders meeting held on October 29, 2009 the shareholders approved an aggregate remuneration of Ps.4,568,790 million for all of our directors for the fiscal year ended June 30, 2009.

Compensation of Supervisory Committee

The shareholders meeting held on October 29, 2009, approved by majority vote the decision not to pay any compensation to our Supervisory Committee.

Compensation of Senior Management

Our senior management is paid a fixed amount established by taking into consideration their background, capacity and experience and an annual bonus which varies according to their individual performance and our results.

The total and aggregate compensation of our senior management for the fiscal year ended June 30, 2009 was Ps.4.9 million.

During this period our contributions to compensation plan for our senior management amounted to Ps.0.6 million.

Compensation plan for executive management

We have a defined contribution plan covering its managers in Argentina. The Plan was effective from January 1st, 2006. Employees may begin participation voluntarily on monthly enrollment dates. Participants may make pre-tax contributions to the Plan of up to 2.5% of their monthly salary (Base Contributions) and pre-tax contributions of up to 15% of their annual bonuses

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(Extraordinary Contributions). Under the Plan, we match employee contributions to the plan at a rate of 200% for Base Contributions and 300% for Extraordinary Contributions. Contribution expense was Ps.0.15 million and Ps.0.12 million for the years ended June 30, 2008 and June 30, 2007, respectively. Participant contributions are held in trust as required by law. Individual participants may direct the trustee to invest their accounts in authorized investment alternatives. Our contributions are also held in trust. Participants or their assignees, as the case may be, may have access to 100% of our contributions under the following circumstances:

(i) ordinary retirement in accordance with applicable labor regulations;

(ii) total or permanent incapacity or disability;

(iii) death.

In case of resignation or termination without cause, the manager will get the amounts arising from our contributions only if he or she has participated in the Plan for at least 5 years.

C. BOARD PRACTICES

Benefits upon Termination of Employment

There are no contracts providing for benefits to directors upon termination of employment.

Audit Committee

In accordance with the Regime of Transparency in Public Offerings provided by Decree No. 677/01, the regulations of the *Comisión Nacional de Valores* and Resolutions No. 400 and 402 of the *Comisión Nacional de Valores*, our board of directors established an audit committee which would focus on assisting the board in exercising its duty of care, compliance with disclosure requirements, the enforcement of accounting policies, management of our business risks, the management of our internal control systems, ethical conduct of our businesses, monitoring the sufficiency of our financial statements, our compliance with the laws, independence and capacity of independent auditors and performance of our internal audit duties both by our company and our external auditors.

On November 3, 2008, our board of directors officially appointed Jorge Oscar Fernández, Daniel Mellicovsky and Pedro Damaso Labaqui Palacio, all of them independent members, as members of the audit committee. Jorge Oscar Fernández is the financial expert in accordance with the relevant SEC rules. We have a fully independent audit committee as per the standard provided in Rule 10(A)-3(b) (1).

Remuneration Committee

There is no remuneration committee.

D. EMPLOYEES

As of June 30, 2009, we had 479 employees corresponding to the agricultural business, including the employees of Cresud, Inversiones Ganaderas S.A., Agropecuaria Anta S.A. (ex Agropecuaria Cervera S.A.) and Futuros y Opciones.Com, but not those of Agro-Uranga S.A. and 2,593 employees corresponding to the real estate business.

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Approximately 50% of employees in our agricultural business are under collective labor agreements. We believe we have good relations with the union and our employees. We have never experienced a work stoppage.

IRSA s employees in our real estate operations are represented by various unions, as follows: approximately 15% are represented by the Commerce Labor Union (*Sindicato de Empleados de Comercio,* or SEC); approximately 3% are represented by the Horizontal Property Union (SUTERH), and approximately 5% are represented by the Administrative Construction Union (UECARA). Shopping Centers and Consumer financing employees are also represented by the Commerce Union. Approximately 60% of our total employees are under collective bargain agreements. Hotel workers are represented by the Tourism, Hotel and Restaurant Labor Union (*Unión de Trabajadores del Turismo, Hoteleros y Gastronómicos de la República Argentina,* or UTHGRA).

The following table sets forth the number of employees in our various businesses for the fiscal year ended June 30, 2009, 2008 and 2007.

	Agricultural Business(1)			Real Estate Business		
	Permanent salaried	Temporary	Argentine Real Estate(2)	Shopping Centers(3)	Hotels(4)	Credit Card(5)
As of June 30, 2007	346	17	228	983	785	1,302
As of June 30, 2008	441	26	243	1,043	764	1,298
As of June 30, 2009	479	11	209	1,001	694	689

(1) Agricultural Business includes the employees of Cresud, Inversiones Ganaderas S.A., Agropecuaria Anta S.A. (formerly Agropecuaria Cervera S.A.) and Futuros y Opciones.Com, but not those of Agro-Uranga S.A.
(2) Argentine Real Estate includes IRSA, Inversora Bolívar, Baldovinos, Madero, Libertador 498.
(3) Starting June 2000, Shopping Centers includes Altocity (e-commerce) and does not include Mendoza Plaza prior to fiscal year 2005.
(4) Hotels include Intercontinental, Sheraton Libertador and Llao Llao.
(5) Credit cards include Tarshop.

E. SHARE OWNERSHIP

Share ownership of directors, members of the supervisory committee, and senior management as of November 30, 2009.

The following table sets forth the amount and percentage (expressed on a fully diluted basis) of our shares beneficially owned by our directors, Supervisory Committee and senior management as of November 30, 2009:

Name	Position	Number of Shares	Percentage	Number of Warrants (2)
Directors				
Eduardo S. Elsztain (1)	Chairman	166,956,527	34.8%	82,984,205
Saúl Zang	First vice-chairman	1,548,141	0.33%	817,480
Alejandro G. Elsztain	Second vice-chairman / Chief Executive Officer	1,288,900	0.31%	1,314,289
Gabriel A. G. Reznik	Director			
Jorge Oscar Fernández	Director	2,843,148	0.50%	
Fernando A. Elsztain	Director			

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Name	Position	Number of Shares	Percentage	Number of Warrants (2)
David A. Perednik	Director /Chief Administrative Officer	106,063	0.02%	29,727
Pedro Damaso Labaqui Palacio	Director			
Daniel E. Mellicovsky	Director			
Alejandro Gustavo Casaretto	Director/Regional manager of Agricultural real Estate	63,790	0.01%	23,790
Salvador D. Bergel	Alternate director			
Juan C. Quintana Terán	Alternate director			
Gastón A. Lernoud	Alternate director			
Enrique Antonini	Alternate Director			
Eduardo Kalpakian	Alternate Director			
Senior Management				
Gabriel Blasi	Chief Financial Officer	31,303	0.01%	42,165
Alejandro Bartolomé	Chief Executive Officer of the Argentine Operation			
Carlos Blousson	Chief Executive Officer of the International Operation	4,817	0.00%	1,817
Supervisory Committee				
José D. Abelovich	Member			
Marcelo H. Fuxman	Member			
Roberto Murmis	Member			
Silvia C. De Feo	Alternate member			
Alicia Rigueira	Alternate member			
Sergio Kolaczyk	Alternate member			
Executive Committee				
Saúl Zang	Member	1,548,141	0.33%	817,480
Eduardo S. Elsztain	Member	166,956,527	34.77%	82,984,205
Alejandro G. Elsztain	Member	1,288,900	0.31%	1,314,289

(1) Includes (i) 166,954,604 shares beneficially owned by Inversiones Financieras del Sur S.A., for which Mr. Eduardo S. Elsztain may be deemed beneficial owner (this figure does not include approximately 866,157 ADRs allotted by the Company and finally credited on December 2, 2009), (ii) 870 common shares beneficially owned by Consultores Venture Capital Uruguay S.A. and (iv) 1,053 common shares owned directly by Eduardo S. Elsztain. In addition, Mr. Eduardo Elsztain may be deemed beneficial owner of 82,984,205 Cresud s warrants which entitles him to acquire 29,127,952 new common shares through the exercise of those warrants.

(2) Pursuant to a Prospectus (the Prospectus), dated March 11, 2008, contained in Cresud s Registration Statement on Form F-3 No. 333-146011, filed with the Securities and Exchange Commission on September 12, 2007, Cresud offered (the Rights Offering) to its common shareholders rights to subscribe for 180,000,000 new common shares, together with the right to receive 180,000,000 warrants (the New Warrants) to acquire additional common shares. Each common share entitled its holder to one right to subscribe for common shares. Each common share right entitled its holder to subscribe for 0.561141 new common shares, to subscribe at the same price for additional common shares remaining unsubscribed after the preemptive rights offering pursuant to its exercise of accretion rights, and to receive free of charge, for each new common share that it purchased pursuant to the Rights Offering, one New Warrant to purchase 0.33333333 additional common shares (this fraction was adjusted to 0.35100598 after an allotment of treasury shares stock to shareholders that took place on November 23, 2009). The Bank of New York, as Cresud s ADS rights agent, made available to holders of its ADSs (each of which represents 10 common shares), rights to subscribe for new ADSs, together with the right to receive New Warrants to acquire additional common shares. Each ADS entitled its holder to one ADS right. Each ADS right entitled its holder to subscribe for 0.561141 new ADSs, to subscribe at the same price for additional common shares in the form of ADSs remaining unsubscribed after the preemptive rights offering pursuant to its exercise of accretion rights, and to receive free of charge, for each new ADS that it purchased pursuant to this offering, 10 New Warrants, each of which entitles such holder to purchase 0.33333333 additional common shares (this fraction was adjusted to 0.35100598 after an allotment of treasury shares stock to shareholders that took place on November 23, 2009).

Prior to their expiration on May 22, 2015, the New Warrants are exercisable during the six-day period from and including the 17th through the 22nd day of each February, May, September and November (to the extent such dates are business days in New York City and in the City of Buenos Aires). Cresud accepts the exercise of New Warrants to purchase whole new common shares. The

exercise price for new common shares to be purchased pursuant to the exercise of New Warrants is of US$ 1.68 and are payable in U.S. dollars (this price was adjusted to US$ 1.5954 after an allotment of treasury shares stock to shareholders that took place on November 23, 2009) . ADS holders wishing to obtain additional ADSs upon exercise of their New Warrants must deposit the common shares acquired under the New Warrants with The Bank of New York, as Cresud s depositary, to obtain ADSs in accordance with the terms of the deposit agreement.

Item 7. Major shareholders and related party transactions

A. MAJOR SHAREHOLDERS

Information about Major Shareholders

Share Ownership

The following table sets forth information regarding ownership of our capital stock by each person known to us to own beneficially at least 5% of our common shares, ANSES and all our directors and officers as a group. Percentages are expressed on a fully diluted basis.

	Share Ownership as of November 30, 2009	
Shareholder	**Number of Shares**	**Percentage[(6)]**
IFISA[(1)(2)]	166,954,604	34.8%
D.E. Shaw & Co L.P.[(3)]	42,431,470	7.5%
Directors and officers[(4)]	5,887,225	1.2%
National Social Security Agency (ANSES)	16,345,369	2.9%
Total	231,618,668	41.0%

(1) Mr. Eduardo S. Elsztain is the president of (i) IFIS Limited (IFIS), a company incorporated under the laws of Bermuda and registered in Argentina under article 123 of the Argentine Corporations Law No. 19,550, located at Mintflower Place 4th floor, 8 Par-La-Ville Road, Hamilton HM 08, Bermuda, and (ii) IFISA, a company incorporated under the laws of Uruguay and registered in Argentina under article 123 of the Argentine Corporations Law No. 19,550, located at Road 8, km 17,500, Zonamérica Building 3, store 004, Montevideo, Uruguay, which is 100% owned by IFIS. Mr. Elsztain is the beneficial owner of 31.84% of IFIS capital stock, which owns 100% of IFISA.

(2) As a result, Mr. Elsztain may be deemed beneficial owner of 34.8% of our total shares, which includes (i) 166,954,604 shares beneficially owned by Inversiones Financieras del Sur S.A., for which Mr. Eduardo S. Elsztain may be deemed beneficial owner (this figure does not include approximately 866,157 ADRs allotted by the Company and finally credited on December 2,2009), (ii) 870 common shares beneficially owned by Consultores Venture Capital Uruguay S.A. and (iv) 1,053 common shares owned directly by Eduardo S. Elsztain. In addition, Mr. Eduardo Elsztain may be deemed beneficial owner of 82,984,205 Cresud s warrants which entitles him to acquire 29,127,952 new common shares through the exercise of those warrants.

(3) According to the 13F Form filed with the SEC as of September 30, 2009.

(4) Includes only direct ownership of our Directors and Senior Management.

As of June 30, 2006, 2007, 2008 and 2009, IFISA owned 21.2%, 32.8% and 32.5% and 34.7% respectively, of our total shares. The increase in the ownership from 2006 to 2007 was due to the conversion of Cresud s convertible notes and Warrants that IFISA owned. IFISA has the same voting rights as our other shareholders.

Change in Capital Stock Ownership

	As of November 30, 2009 %	As of June 30, 2009 %	As of June 30, 2008 %	As of June 30, 2007 %	As of June 30, 2006 %
IFISA[(1)(2)]	34.8%	34.7%	32.5%	32.8%	21.2%
D.E. Shaw & Co L.P.[(3)]	7.5%	8.1			