

CRESUD INC  
Form 20-F  
December 28, 2011

**United States**

**SECURITIES AND EXCHANGE COMMISSION**

**Washington, D.C. 20549**

**FORM 20 F**

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

**OR**

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

**For the fiscal year ended: June 30, 2011**

**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)**

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**Republic of Argentina**

**(Jurisdiction of incorporation or organization)**

**Moreno 877, 23rd Floor,**

**(C1091AAQ) Buenos Aires, Argentina**

**(Address of principal executive offices)**

**Matías Gaivironsky**

**Chief Financial Officer**

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

**Moreno 877 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:**

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

\* 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, 2011 was 501,562,534

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

Yes  No

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

Yes  No

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

Yes  No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (232.405 of this chapter) during the preceding 12 months (or 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  Non-accelerated filer

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

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

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

Item 17  Item 18

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

Yes

No

No

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**Disclosure Regarding Forward-Looking Information**

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

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

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

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

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

any obligation to release publicly any revisions to such forward-looking statements after filing of this Form to reflect later events or circumstances or to reflect the occurrence of unanticipated events.

### **Certain Measures and Terms**

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

References to “Tons”, “tons” or “Tns.” are to metric tons, to “kgs” are to kilograms, to “ltrs” are to liters, “Hct” are to hectares, and “square meters” are 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 36.74 bushels. One gallon is equal to 3.7854 liter. One hectare is equal to approximately 2.47 acres and 10,000 square meters. One square meter is equal to approximately 10.764 square feet. One kilogram of live weight beef cattle is equal to approximately 0.5 to 0.6 kilogram of carcass (meat and bones).

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

### **Presentation of financial and certain other information**

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

This Annual Report contains our audited consolidated financial statements as of June 30, 2011 and 2010 and for the years ended June 30, 2011, 2010 and 2009 (our “Audited Consolidated Financial Statements”). Our Audited Consolidated Financial Statements have been audited by Price Waterhouse & Co. S.R.L. Buenos Aires Argentina, a member firm of PricewaterhouseCoopers, an independent registered public accounting firm, whose report is included herein. We prepare our Audited 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 Audited 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 29 to our Audited 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.

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As discussed in Note 2.d) to our Audited 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 1, 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, 2011, IRSA Inversiones y Representaciones Sociedad Anónima (“IRSA”) has a significant investment in Banco Hipotecario S.A. (“Banco Hipotecario”) that accounts for approximately 14.5% of IRSA’s total consolidated assets.

As discussed in Note 2.b) to our Audited Consolidated Financial Statements, from July 1, 2008 to October 31, 2008, we acquired an additional 11.57% equity interest in 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, 2011, we have an indirect 29.77% (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 and Metropolitan 885 Third Avenue LLC (“Metropolitan”), as of June 30, 2010 and 2009 and for the twelve months periods ended June 30, 2010, 2009 and 2008.

On March 20, 2009, the FACPCE issued Technical Resolution No. 26 “Adoption of International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”)” which requires that companies under the supervision of the Comisión Nacional de Valores to prepare their financial statements in accordance with IFRS as published by the IASB for fiscal periods beginning on or after January 1, 2011, including comparative information for earlier periods. There are *Consejos Profesionales* or standard setters in each provincial jurisdiction in Argentina, which have the power to adopt, reject or modify a resolution issued by the FACPCE. The jurisdiction where we are located is the Federal District. On April 25, 2009, the CPCECABA approved Resolution No. 26. The CNV issued Resolution No. 562/09, as amended by Resolution 576/10, formally adopting application of Resolution No. 26 to its regulated entities for fiscal years beginning on January 1st, 2012. We will be required to prepare our financial statements in accordance with IFRS as issued by the IASB for our fiscal year ended June 30, 2013. Our transition date to IFRS will be July 1, 2011. On April 29, 2010, our Board of Directors approved a plan for implementing IFRS. We are in the early stages of completing a diagnosis of the principal differences between Argentine GAAP and IFRS. We have not quantified the effect any potential change in accounting principles would have on our financial condition or results of operations and therefore can give no assurance that such changes will not have an adverse effect on our financial condition or results of operations.

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, 2011, which was Ps.4.110 = 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 2007, 2008, 2009, 2010 and 2011 are to the fiscal years ended June 30 of each such year.

**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.

**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 d. 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, 2011, 2010 and 2009 and the selected consolidated balance sheet data as of June 30, 2011 and 2010 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, 2008 and 2007 and the selected consolidated balance sheet data as of June 30, 2009 and 2008 have been derived from our Audited Consolidated Financial Statements as of June 30, 2009 and 2008 and for the years ended June 30, 2009, 2008, and 2007 which are not included herein. The selected consolidated balance sheet data as of June 30, 2007 has been derived from our Audited Consolidated Financial Statements as of June, 30, 2008 and 2007 and for the years ended June 30, 2008, 2007 and 2006 which are also not included herein.

Certain reclassifications have been made to the Audited Consolidated Financial Statements as of June 30, 2010, 2009 and 2008 and for the years ended June 30, 2010, 2009, 2008 and 2007, and to the Audited Consolidated Financial Statements as of June 30, 2008 and 2007 and for the years ended June 30, 2008, 2007 and 2006 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, 2011, we acquired directly or indirectly 1,224,371 additional shares of IRSA. Our equity interest in IRSA is 57.70% as of June 30, 2011. 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, 2011, 2010 and 2009 and for the years then ended are not comparable to prior periods.



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	2011 <sup>(1)</sup> (in thousand US\$, except for percentages)	For the years ended on June, 30				2008	2007
		2011 <sup>(15)</sup>	2010 <sup>(15)</sup>	2009 <sup>(15)</sup>			
<b>INCOME STATEMENT DATA</b>							
<i>Argentine GAAP</i>							
Agricultural production income:							
Crops	79,959	328,630	170,848	134,179	117,474	72,426	
Beef cattle	11,332	46,574	20,830	18,120	23,927	19,463	
Milk	7,610	31,277	26,043	20,213	18,420	10,911	
<b>Total agricultural production income</b>	<b>98,900</b>	<b>406,481</b>	<b>217,721</b>	<b>172,512</b>	<b>159,821</b>	<b>102,800</b>	
Cost of agricultural production:							
Crops	(56,235)	(231,126)	(159,724)	(175,916)	(82,151)	(51,538)	
Beef cattle	(6,080)	(24,987)	(21,850)	(16,241)	(19,316)	(15,050)	
Milk	(5,831)	(23,965)	(20,383)	(18,286)	(14,283)	(8,477)	
<b>Total cost of agricultural production</b>	<b>(68,145)</b>	<b>(280,078)</b>	<b>(201,957)</b>	<b>(210,443)</b>	<b>(115,750)</b>	<b>(75,065)</b>	
<b>Gross income (loss) from agricultural production</b>	<b>30,755</b>	<b>126,403</b>	<b>15,764</b>	<b>(37,931)</b>	<b>44,071</b>	<b>27,735</b>	
Sales:							
Crops	83,457	343,009	194,651	164,463	86,870	53,401	
Beef cattle	12,387	50,909	39,274	17,646	32,432	31,967	
Milk	6,905	28,381	24,415	19,270	17,493	9,731	
Feed lot	—	—	—	—	—	3,102	
Others	14,124	58,048	50,497	36,045	25,786	12,116	
<b>Total sales- crops, beef cattle, milk, feed lot and others</b>	<b>116,873</b>	<b>480,347</b>	<b>308,837</b>	<b>237,424</b>	<b>162,581</b>	<b>110,317</b>	
<b>Sales of farmlands</b>	<b>20,561</b>	<b>84,507</b>	<b>18,557</b>	<b>1,959</b>	<b>23,020</b>	<b>29,872</b>	
<b>Cost of sales:</b>							
Crops	(74,331)	(305,502)	(175,629)	(144,969)	(75,949)	(47,350)	
Beef cattle	(14,120)	(58,034)	(46,682)	(16,237)	(30,038)	(30,273)	
Milk	(6,905)	(28,381)	(24,415)	(19,316)	(17,630)	(9,731)	
Feed lot	—	—	—	—	—	(2,784)	

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Others	(10,069)	(41,383)	(38,102)	(24,210)	(17,379)	(6,737)
<b>Total cost of sales- crops, beef cattle, milk, feed lot and others</b>	<b>(105,426)</b>	<b>(433,300)</b>	<b>(284,828)</b>	<b>(204,732)</b>	<b>(140,996)</b>	<b>(96,875)</b>
<b>Cost of farmland sales</b>	<b>(7,276)</b>	<b>(29,906)</b>	<b>(4,825)</b>	<b>(94)</b>	<b>(3,006)</b>	<b>(7,616)</b>
<b>Gross income from sales- Agricultural business</b>	<b>24,732</b>	<b>101,648</b>	<b>37,741</b>	<b>34,557</b>	<b>41,599</b>	<b>35,698</b>
<b>Total sales-Slaughtering / Feedlot</b>	<b>30,921</b>	<b>127,086</b>	—	—	—	—
<b>Total cost of sales- Slaughtering / Feedlot</b>	<b>(29,993)</b>	<b>(123,271)</b>	—	—	—	—
<b>Gross income from sales- Slaughtering / Feedlot</b>	<b>928</b>	<b>3,815</b>	—	—	—	—
Sales:						
Sales and development of properties	82,986	341,074	225,567	278,107	—	—
Income from lease and service of offices, shopping centers, hotels, consumer financing and others	267,838	1,100,813	1,111,673	737,173	—	—
<b>Total sales Real estate business</b>	<b>350,824</b>	<b>1,441,887</b>	<b>1,337,240</b>	<b>1,015,280</b>	—	—

	2011 <sup>(1)</sup>	For the years ended on June, 30				2008	2007
	(in thousand US\$, except for percentages)	2011 <sup>(15)</sup>	2010 <sup>(15)</sup>	2009 <sup>(15)</sup>			
		(in thousand Ps , except for ratios and number of shares)					
Cost of sales:							
Cost of sales and development of properties	(61,531)	(252,894)	(99,893)	(170,529)	—	—	
Cost of lease and service of offices, shopping centers, hotels, consumer financing and others	(89,257)	(366,845)	(402,631)	(265,394)	—	—	
<b>Total cost of sales</b>	<b>(150,788)</b>	<b>(619,739)</b>	<b>(502,524)</b>	<b>(435,923)</b>	—	—	
<b>Gross income from sales – Real estate business</b>	<b>200,036</b>	<b>822,148</b>	<b>834,716</b>	<b>579,357</b>	—	—	
<b>Gross (Loss) profit - Agricultural business</b>	<b>55,487</b>	<b>228,051</b>	<b>53,505</b>	<b>(3,374)</b>	<b>85,670</b>	<b>63,433</b>	
<b>Gross profit - Slaughtering / Feedlot</b>	<b>928</b>	<b>3,815</b>	—	—	—	—	
<b>Gross profit - Real estate business</b>	<b>200,036</b>	<b>822,148</b>	<b>834,716</b>	<b>579,357</b>	—	—	



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<b>Gross profit</b>	256,451	1,054,014	888,221	575,983	85,670	63,433
Selling expenses	(42,873)	(176,207)	(219,454)	(212,482)	(14,497)	(9,972)
Administrative expenses	(62,291)	(256,016)	(239,678)	(134,664)	(26,104)	(16,628)
Gain from recognition of inventories at net realizable value	11,056	45,442	33,831	9,237	886	—
Unrealized gain (loss) on inventories- Beef cattle	16,971	69,752	84,349	(860)	8,535	5,103
Unrealized (loss) gain on inventories- Crops and MAT	(3,821)	(15,704)	1,140	(476)	(10,878)	(3,927)
Unrealized gain on inventories and transactions involving real estate assets	277	1,140	1,091	928	—	—
Net income (loss) from retained interest in securitized receivables of Tarjeta Shopping	1,145	4,707	37,470	(22,263)	—	—

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<b>Operating income</b>	<b>176,917</b>	<b>727,128</b>	<b>586,970</b>	<b>215,403</b>	<b>43,612</b>	<b>38,009</b>
Amortization of negative goodwill	16,047	65,954	43,721	32,344	—	—
Financial results, net	(89,779)	(368,992)	(201,342)	44,656	(52,268)	(10,458)
Gain on equity investees	31,474	129,360	127,105	49,194	38,417	40,199
Other income and expenses, net	(5,552)	(22,817)	(19,651)	(16,448)	(4,092)	(4,251)
Management fee	(5,746)	(23,618)	(20,601)	(13,641)	(2,171)	(5,485)
<b>Income before income tax and minority interest</b>	<b>123,361</b>	<b>507,015</b>	<b>516,202</b>	<b>311,508</b>	<b>23,498</b>	<b>58,014</b>
Income tax and minimum presumed income tax	(30,521)	(125,443)	(145,952)	(92,682)	(284)	(8,375)
Minority interest	(41,121)	(169,007)	(184,844)	(94,210)	(266)	(277)
<b>Net income for the year</b>	<b>51,719</b>	<b>212,565</b>	<b>185,406</b>	<b>124,616</b>	<b>22,948</b>	<b>49,362</b>

**U.S GAAP**

Total sales	716,330	2,944,117	2,144,816	1,604,808	345,422	237,166
Total Cost of sales	(422,255)	(1,735,466)	(1,149,646)	(924,289)	(267,764)	(172,750)
Gross profit	294,075	1,208,651	995,170	680,519	77,658	64,416
Selling expenses	(42,621)	(175,173)	(211,224)	(194,009)	(14,497)	(9,936)
Administrative expenses	(93,814)	(385,576)	(267,675)	(154,443)	(27,549)	(21,878)
Net (loss) from retained interest in securized receivables of Tarjeta Shopping	1,274	5,236	58,115	(19,253)	—	—
Gain on bargain purchase and gain for re-measurement of previously held interest at fair value	147,138	604,737	58,471	—	—	—
Disposal of business	8,309	34,149	—	—	—	—
Others	(7,855)	(32,284)	(14,177)	(14,903)	(4,582)	(2,429)
Operating income	306,506	1,259,740	618,680	297,911	31,030	30,173
Amortization of negative goodwill	8,367	34,387	42,080	31,142	—	—
Financial results, net	(75,045)	(308,433)	(207,688)	51,602	(55,861)	(15,753)
(Loss) gain on equity investees	36,866	151,521	95,131	(67,206)	42,605	40,562
Other income and expenses, net	(3,383)	(13,904)	(5,460)	864	(4,083)	(4,126)
Income before income tax and minority interest	273,311	1,123,311	542,743	314,313	13,691	50,856
Income tax and minimum presumed income tax	(30,307)	(124,562)	(91,834)	(198,416)	2,990	(1,244)
Net income for the year	243,004	998,749	450,909	115,897	16,681	49,612
Non-controlling interest	58,391	239,985	257,510	(690)	(266)	(277)
Net income attributable to Cresud	184,613	758,764	193,399	116,587	16,415	49,335

**BALANCE SHEET DATA****Argentine GAAP***Current assets:*

Cash and banks and investments	187,107	769,010	359,887	428,000	533,087	86,772
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Trade and other receivables, net	181,172	744,617	692,973	590,458	91,183	77,542
Inventories	182,959	751,961	400,521	139,197	111,525	52,460
Other assets	—	—	—	—	1,070	—
<b>Total current assets</b>	<b>551,238</b>	<b>2,265,588</b>	<b>1,453,381</b>	<b>1,157,655</b>	<b>736,865</b>	<b>216,774</b>
<i>Non-current assets:</i>						
Trade and other receivables, net	87,427	359,324	290,438	251,822	41,365	43,237
Inventories	87,009	357,607	204,218	251,529	76,113	68,344
Investments	505,815	2,078,901	1,900,070	1,358,605	925,972	474,022
Property and equipment, net	1,297,593	5,333,109	3,290,221	3,309,998	266,616	245,920
Intangible assets, net	19,451	79,945	88,585	55,187	22,829	23,582
Goodwill , net	(180,306)	(741,056)	(389,025)	(408,740)	—	—
<b>Total non-current assets</b>	<b>1,816,990</b>	<b>7,467,830</b>	<b>5,384,507</b>	<b>4,818,401</b>	<b>1,332,895</b>	<b>855,105</b>
<b>Total assets</b>	<b>2,368,228</b>	<b>9,733,418</b>	<b>6,837,888</b>	<b>5,976,056</b>	<b>2,069,760</b>	<b>1,071,879</b>
<i>Current liabilities:</i>						
Trade accounts payable	115,141	473,229	403,743	339,894	48,467	30,936
Loans, mortgages payable, allowances and customer advances	386,959	1,590,402	1,279,090	640,255	195,600	122,750
Salaries and social security contributions, taxes payable and other liabilities	73,129	300,561	245,884	333,763	18,281	14,006
<b>Total current liabilities</b>	<b>575,229</b>	<b>2,364,192</b>	<b>1,928,717</b>	<b>1,313,912</b>	<b>262,348</b>	<b>167,692</b>
<i>Non current liabilities:</i>						
Trade accounts payable	2,955	12,145	23,368	89,193	—	246
Loans, allowances and customer advances	534,185	2,195,501	943,559	1,022,880	1,803	26,491
Salaries and social security contributions, taxes payable and other liabilities	146,373	601,595	349,043	301,205	42,111	51,660
<b>Total non-current liabilities</b>	<b>683,514</b>	<b>2,809,241</b>	<b>1,315,970</b>	<b>1,413,278</b>	<b>43,914</b>	<b>78,397</b>
<b>Total liabilities</b>	<b>1,258,743</b>	<b>5,173,433</b>	<b>3,244,687</b>	<b>2,727,190</b>	<b>306,262</b>	<b>246,089</b>
Minority interests	570,912	2,346,448	1,625,008	1,435,982	1,160	836
Shareholders' equity	538,573	2,213,537	1,968,193	1,812,884	1,762,338	824,954
<b>U.S GAAP</b>						
<i>Current assets:</i>						
Cash and banks and Investments	187,107	769,010	342,180	400,104	533,088	86,772
Inventories	178,466	733,496	162,679	120,022	111,525	52,460
Trade and other receivables, net	128,736	529,106	709,008	627,503	91,184	77,542
Other assets	—	—	—	—	185	—
<i>Non-current assets:</i>						
Other receivables	143,827	591,127	426,754	338,968	41,365	43,237
Inventories	34,808	143,059	21,575	45,018	34,395	32,297
Investments	523,513	2,151,639	1,892,619	977,547	867,033	428,121
Property and equipment, net	1,331,905	5,474,130	2,752,085	2,716,460	266,616	414,900
Intangible assets, net	9,562	39,300	70,803	65,655	22,829	23,582
Goodwill, net	(54,546)	(224,183)	183,975	179,572	—	—
<b>Total assets</b>	<b>2,483,378</b>	<b>10,206,684</b>	<b>6,561,678</b>	<b>5,470,849</b>	<b>1,968,220</b>	<b>1,158,911</b>
<i>Current liabilities:</i>						



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Trade accounts payable	77,110	316,922	366,630	356,866	48,467	30,936
Loans, allowances and customer advances	385,900	1,586,049	1,186,269	636,500	195,600	122,750
Salaries and social security contributions, taxes payable and other liabilities	79,120	325,183	261,063	337,385	18,281	14,006
Total current liabilities	542,130	2,228,154	1,813,962	1,330,751	262,348	167,692
<i>Non current liabilities:</i>						
Trade accounts payable	12,164	49,995	24,303	88,532	—	—
Loans, allowances and customer advances	537,668	2,209,816	989,008	1,060,218	148,134	4,129
Salaries and social security contributions, taxes payable and other liabilities	252,209	1,036,578	440,516	400,775	40,929	61,181
Total non-current liabilities	802,041	3,296,389	1,453,827	1,549,525	189,063	65,310
Total liabilities	1,344,171	5,524,543	3,267,789	2,880,276	451,411	233,002
Net shareholders' equity attributable to Cresud	598,903	2,461,491	1,857,653	1,535,321	1,515,649	925,072
Non-controlling interests	540,304	2,220,650	1,436,236	1,055,252	1,160	837
Net shareholders' equity attributable to Cresud	1,139,207	4,682,141	3,293,889	2,590,573	1,516,809	925,909

**CASH FLOW DATA*****Argentine GAAP***<sup>(16)</sup>

Net cash provided by (used in) operating activities	134,608	553,237	334,973	362,662	(20,620)	(19,442)
Net cash used in investing activities	(192,582)	(791,512)	(550,431)	(325,466)	(443,828)	(28,365)
Net cash provided by (used in) financing activities	186,902	768,166	179,435	(346,606)	899,351	106,613

***U.S. GAAP***<sup>(8)</sup>

Net cash provided by (used in) operating activities	115,102	473,071	125,158	338,821	(34,675)	(62,360)
Net cash provided by (used in) investing activities	(86,348)	(354,889)	(490,170)	(110,981)	(691,282)	5,296
Net cash provided by (used in) financing activities	107,123	440,275	318,232	(241,766)	917,833	115,814
Effects of exchange rate changes	(1,718)	(7,059)	(28)	(71,516)	(1,718)	56

**OTHER FINANCIAL DATA*****Argentine GAAP***

Basic net income per share <sup>(2)</sup>	0.10	0.43	0.38	0.26	0.06	0.20
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Diluted net income per share <sup>(3)</sup>	0.09	0.38	0.34	0.23	0.06	0.16
Basic net income per ADS <sup>(2)(4)</sup>	1.05	4.30	3.80	2.60	0.62	2.00
Diluted net income per ADS <sup>(3)(4)</sup>	0.92	3.80	3.40	2.30	0.60	1.60

Weighted – average number of common shares outstanding	—496,560,206	486,545,863	484,929,612	368,466,065	247,149,373
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Diluted weighted – average number of common shares <sup>(5)</sup>	—558,915,374	548,901,031	544,172,519	385,300,115	321,214,392	
Dividends paid <sup>(6)</sup>	—	—	69,000	60,000	20,000	8,250
Dividends per share	—	—	0.138	0.120	0.040	0.026
Dividends per ADS <sup>(4)</sup>	—	—	1.38	1.20	0.40	0.26
Depreciation and amortization	46,392	190,672	179,711	119,939	6,474	4,459
Capital expenditures <sup>(7)</sup>	41,273	169,634	199,674	317,188	28,019	29,327
Gross margin <sup>(8)</sup>	41.5%	41.5%	47.2%	40.4%	24.8%	26.1%

Operating margin <sup>(9)</sup>	28.6%	28.6%	31.2%	15.1%	12.6%	15.6%
Net margin <sup>(10)</sup>	8.4%	8.4%	9.8%	8.7%	6.6%	20.3%
Ratio of current assets to current liabilities <sup>(11)</sup>	0.96	0.96	0.75	0.88	2.81	1.29
Ratio of shareholders' equity to total liabilities <sup>(12)</sup>	0.43	0.43	0.61	0.66	5.75	3.35
Ratio of non current assets to total assets <sup>(13)</sup>	0.77	0.77	0.79	0.81	0.64	0.80
Ratio of "Return on Equity" – ROE <sup>(14)</sup>	0.10	0.10	0.09	0.07	0.02	0.07

**U.S GAAP**

Basic net income per share <sup>(2)</sup>	0.37	1.53	0.40	0.24	0.04	0.20
Diluted net income per share <sup>(3)</sup>	0.34	1.38	0.38	0.12	0.04	0.18
Basic net income per ADS <sup>(2)(4)</sup>	3.72	15.30	4.00	2.40	0.45	2.00
Diluted net income per ADS <sup>(3)(4)</sup>	3.36	13.80	3.80	1.20	0.40	1.80
Weighted – average number of common shares outstanding	—496,560,206	486,545,863	484,929,612	368,466,065	247,149,373	
Diluted weighted – average number of common shares <sup>(5)</sup>	—558,915,374	548,901,031	544,165,774	388,439,848	305,057,442	
Gross margin <sup>(8)</sup>	41.1%	41.1%	46.4%	42.4%	22.5%	27.2%
Operating margin <sup>(9)</sup>	42.8%	42.8%	28.8%	18.6%	9.0%	12.7%
Net margin <sup>(10)</sup>	25.8%	25.8%	9.0%	7.3%	4.8%	20.8%

(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, 2011 which was Ps.4.11 = 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 us by reason of our common stock capital increase.
- (6) The shareholders' meeting held in December 2010 approved the distribution of a cash dividend for an amount of Ps.69.0 million for the fiscal year ended on June 30, 2011.
- (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. Also included non cash operations.
- (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, for the year ended June 30, 2011, 2010 and 2009 includes the accounts of IRSA on a consolidated basis.
- (16) See change in accounting policy related to statement of cash flows for the years ended June 30, 2010 and 2009 in Note 2.J to our Audited Consolidated Financial Statements included elsewhere in this annual report.

***Change in accounting policy related to statement of cash flows***

We classified cash flows from interest paid as operating activities for the year ended June 30, 2010 and 2009. As part of we's IFRS implementation efforts, for the fiscal year ended June 30, 2011, we changed this accounting policy to treat the cash flows from interest paid as financing activities as permitted also by Argentine GAAP (Technical Resolution No 8). Therefore, we retroactively adjusted as of June 30, 2010 and 2009 year as follows:

In addition, under Argentine GAAP, cash outflows for the acquisition of non-controlling interests which do not represent a change in control can be classified either as investing or financing cash flows. In the past, we treated these outflows as financing activities. In an effort to align policies within entities of the Group, we changed the accounting policy to treat these outflows as investing activities. Therefore, we retroactively adjusted as of June 30, 2010 and 2009 year as follows:

	<b>As of June 30, 2010</b>		<b>As of June 30, 2009</b>	
	<b>As</b>	<b>As</b>	<b>As</b>	<b>As</b>
	<b>Adjusted</b>	<b>Previously Issued</b>	<b>Adjusted</b>	<b>Previously Issued</b>
Net cash provided by operating activities	334,973	167,609	362,662	248,412
Net cash used in investing activities	(550,431)	(523,439)	(325,466)	(316,055)
Net cash provided by (used in) financing activities	179,435	319,807	(346,606)	(241,767)

	<b>As of June 30, 2008</b>		<b>As of June 30, 2007</b>	
	<b>As</b>	<b>As</b>	<b>As</b>	<b>As</b>
	<b>Adjusted</b>	<b>Previously Issued</b>	<b>Adjusted</b>	<b>Previously Issued</b>
Net cash provided by operating activities	(20,620)	(39,102)	(19,442)	(27,290)
Net cash used in investing activities	(443,828)	(443,828)	(28,365)	(29,718)
Net cash provided by (used in) financing activities	899,351	917,833	106,613	115,814

**Exchange Rates**

In April 1991, Argentine law established a fixed exchange rate requiring the Central Bank to sell U.S. Dollars to any individual at a fixed exchange rate of Ps.1.00 per US\$1.00. On January 7, 2002, the Argentine congress enacted the Public Emergency Law, abandoning over ten years of fixed Peso-U.S. Dollar parity at Ps.1.00 to 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 that resulted caused the Peso to depreciate significantly in the first half of 2002. As of December 14, 2011 the exchange rate was Ps. 4.2610=US\$1.00 as quoted by Banco de la Nación Argentina at the average of the U.S. Dollar selling rate and U.S. Dollar buying rate. During 2008, 2009, 2010 and 2011 the Central Bank indirectly intervened in the exchange rate market with the purpose of maintaining a stable parity notwithstanding international volatility.

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			Period Closing <sup>(4)</sup>
	High <sup>(1)</sup>	Low <sup>(2)</sup>	Average <sup>(3)</sup>	
Fiscal year ended June 30, 2005	3.0400	2.8460	2.9234	2.8670
Fiscal year ended June 30, 2006	3.0700	2.8390	2.9800	3.0660
Fiscal year ended June 30, 2007	3.0880	3.0280	3.0663	3.0730
Fiscal year ended June 30, 2008	3.1640	2.9960	3.1196	3.0050
Fiscal year ended June 30, 2009	3.7780	2.9940	3.3862	3.7770
Fiscal year ended June 30, 2010	3.9130	3.6360	3.8255	3.9110
Fiscal year ended June 30, 2011	4.0900	3.9110	3.9810	4.0900
1st quarter ended September 30, 2011	4.2040	4.0900	4.1474	4.1850
July 2011	4.1250	4.0900	4.1080	4.1250
August 2011	4.1800	4.1270	4.1484	4.1800
September 2011	4.2040	4.1690	4.1841	4.1850
October 2011	4.2160	4.1850	4.2030	4.2160
November 2011	4.2610	4.2210	4.2411	4.2610
As of December 20, 2011	4.2720	4.2580	4.2637	4.2720

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.

(4) Average of the selling and buying 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.

#### **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.

In 2010, the Argentine GDP tended to return to its pre-crisis levels, increasing by 9.2%, according to data published by the National Institute of Statistics (Instituto Nacional de Estadísticas y Censos or INDEC). For the six months ended June 30, 2011, GDP increased 9.91% relative to the same period the prior year, according to data published by INDEC. As of June 30, 2011, the Monthly Economic Activity Estimator (Estimador Mensual de Actividad Económica or "EMAE") increased 8.2%, relative to the same period the prior year, according to data published by INDEC.

Moreover, the country's relative stability since 2002 has been affected by increased political tension and government intervention in the economy. Our business depends to a significant extent on macroeconomic and political conditions in Argentina. We cannot assure you that Argentina's recent growth will continue. Deterioration of the country's economy would likely have a significant adverse effect on our business, financial condition and results of operations.

***Continuing inflation may have an adverse effect on the economy.***

The devaluation of the Peso in January 2002 created pressures on the domestic price system that generated high inflation throughout 2002, before inflation substantially stabilized in 2003. However, inflationary pressures have since reemerged, with consumer prices increasing by 12.3% in fiscal year 2005. In fiscal years 2007, 2008, 2009, 2010 and 2011, inflation according to INDEC was 7.7%, 7.2%, 8.5%, 11.0% and 9.7%, respectively, in part due to actions implemented by the Argentine government to control inflation, including limitations on exports and price arrangements agreed upon with private companies. The uncertainty surrounding future inflation may impact the country's growth.

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

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

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

In January 2007, the INDEC modified its methodology used to calculate the consumer price index, which is calculated as the monthly average of a weighted basket of consumer goods and services that reflects the pattern of consumption of Argentine households. Several economists, as well as the international and Argentine press, have suggested that this change in methodology was related to the Argentine government's policy aimed at curbing the increase of inflation and reducing payments on inflation-linked bonds outstanding. At the time that INDEC adopted this change in methodology, the Argentine government also replaced several key officers at INDEC, prompting complaints of governmental interference from the technical staff at INDEC. In addition, the International Monetary Fund (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 introduced 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 national household consumption survey from 2004 to 2005 in addition to other sources the new index, however, has been criticized by economists and investors after an initial report found prices rising well below expectations. These events have adversely 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.

In December 2010, the Argentine government agreed to meet with an official IMF team that had arrived in Argentina to assist INDEC develop a new national price index. In April 2011, the IMF team completed the second technical mission to assist on the design and methodology of a new national price index.

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

In 2001, the Argentine government defaulted on its sovereign debt which totaled more than US\$144 billion. In 2005, the Argentine government launched a debt restructuring exchange offer that achieved an acceptance rate of approximately 76%. Approximately US\$20 billion of the then outstanding debt rejected the exchange offer. More recently, through Executive Branch Decree No. 563/10, the Argentine government launched a second debt exchange offer to restructure the outstanding debt that had been rejected in the first exchange offer in 2005. This second exchange offer concluded with an acceptance level of approximately 70%, bringing the total acceptance level of the two exchange offers to approximately 90%. However, approximately, US\$4.5 billion of outstanding Argentine sovereign debt remains in default, and the government of Argentina still has to negotiate with the Paris Club to restructure such debt.

The fact that Argentina continues to have outstanding sovereign debt in default has limited Argentina's access to the international markets which, in the future, could directly affect our own ability to access the capital markets to finance our growth and operations, thereby adversely affecting our results from operations and business activities.

***Argentina is subject to lawsuits filed by bondholders and foreign shareholders in Argentine companies that could limit the government's use of resources and adversely affect its ability to implement reforms and promote Argentina's economic growth.***

Certain holders of un-restructured Argentine sovereign debt in the United States, Italy and Germany have filed legal actions against Argentina, including claims in the International Center for the Settlement of Investment Disputes ("ICSID") and other international courts, alleging that certain measures adopted by the Argentine government during the financial crises in 2001 and 2002 violated the equal and just treatment norms stipulated in various bilateral treaties signed by Argentina. As of the date of this Annual Report, the ICSID has ruled against the Argentine government in various of these legal claims. Numerous legal claims by creditors against the Argentine government are currently pending, and other creditors may decide to file additional claims against Argentina in the future.

Litigation initiated by holdout creditors as well as ICSID claims has resulted in material judgments against Argentina and may result in new material judgments ordering the attachment of or injunctions relating to, government assets that may have been intended for other uses. As a result, the Argentine government may not have the financial resources necessary to implement reforms and promote economic growth which could have a material adverse effect on the country's economy, and consequently, our financial condition and results of operations.

***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 consequences on the Argentine economy and on businesses and individuals' financial condition. The devaluation of the Peso had a negative impact on the ability of Argentine businesses to pay their foreign currency-denominated debt, which initially led to very high inflation, significantly reduced real wages, a negative impact on businesses whose success depended on domestic market demand, such as utilities and the financial industry, and adversely affected the government's ability to pay its foreign debt obligations. If the Peso devalues significantly, all of the negative effects on the Argentine economy related to such devaluation could recur, and could cause 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 heavy reliance on taxes. A substantial 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 political 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 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 materially and 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 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 social security agency ("ANSES") managed by the National State.

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

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

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

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

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

***Property values in Argentina could be significantly reduced.***

Property values are influenced by multiple factors that are not in our control. We cannot assure you that property values will continue to increase or that they will not be reduced. Many of the properties we own are located in Argentina. As a result, a reduction in the value of properties in Argentina would materially affect our business.

***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 the amount, outside Argentina require prior authorization from the Central Bank. On January 7, 2003, the Central Bank issued communication “A” 3859 which is still in force and pursuant to which there are no limitations on companies’ ability to purchase foreign currency and transfer it outside Argentina to pay dividends, provided that those dividends arise from net earnings corresponding to approved and audited financial statements. However similar restrictions may be enacted by the Argentine government or the Central Bank again and, if they were to occur, it could have an adverse effect on the value of our common shares and the GDSs.

***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-U.S. 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 which could adversely affect our business.

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

Financial and securities markets in Argentina are influenced, to varying degrees, by economic and market conditions in other global markets. Although economic conditions vary from country to country, investors' perception of the events occurring in one country may substantially affect capital flows into other countries, including Argentina and the availability of funds for issuers in such countries. Lower capital inflows and declining prices of securities may adversely affect the real economy of a country through higher interest rates or currency volatility. The Argentine economy was adversely impacted by the political and economic events that occurred in several emerging economies in the 1990s, including those in Mexico in 1994, the collapse of several Asian economies between 1997 and 1998, the economic crisis in Russia in 1998 and the Brazilian devaluation in January 1999.

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

Since 2008, crisis "sub-prime" in the United States the recent economic recession and fiscal deficit experienced in certain European countries have caused an economic slowdown in the world's principal economies. Recently, the possibility of an Eurozone countries default has increased market volatility and it can complicate access to financing in Global Markets.

The global economic crisis and the consequent instability of the international financial system have had and my continue to have a negative effect on Argentina's economic growth. Moreover, political instability and economic crisis, such as the recent turmoil in Africa and the Middle East, as well as natural disasters, such as the recent earthquake and tsunami in Japan, the economic and social crisis in Europe and The U.S., may cause instability in the local markets. Argentina may be adversely affected by such events as a result of the lack of international credit, a reduction in demand for Argentine exports, a significant reduction of direct foreign investment and higher inflation rates throughout the world. The occurrence of any or all such events, as well as any event affecting Argentina's main regional partners (including the Mercosur member countries) may have a significant adverse effect on the Argentine economy and, consequently, on our operations, businesses and results.

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

Argentina’s economy has historically relied on the export of commodities, the prices of which have been volatile in the past and largely outside its control. Argentina’s recovery from the financial crisis in 2001 and 2002 depended to a significant extent on the rise in commodity prices, particularly prices of its main commodity exports, such as soybeans. High commodity prices have contributed significantly to government revenues from export taxes. If commodity prices continue to decline, the growth of the Argentine economy could be affected. Such occurrence could 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 a prolonged recession, and the forced conversion into Pesos and subsequent freeze of gas and electricity tariffs in Argentina, there has been a lack of investment in gas and electricity supply and transport capacity in Argentina in recent years. At the same time, demand for natural gas and electricity has increased substantially, driven by a recovery in economic conditions and price constraints, which has prompted the government to adopt a series of measures that have resulted in industry shortages and/or costs increase.

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

As a first step of these measures, subsidies on energy tariffs are being withdrawn to industries and high income consumers. As a result, our operating costs may increase.

## **Risks Relating to Brazil**

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

Our business is dependent to a large extent on the economic conditions in Brazil. As of June 30, 2011 we consolidated our financial statements with our affiliate BrasilAgro-Companhia Brasileira de Propiedades Agrícolas (“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 our subsidiary BrasilAgro, and thus, could adversely affect us.

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

Brazil has experienced high and generally unpredictable rates of inflation for many years in the past. Inflation itself, as well as governmental policies to combat inflation, has had significant negative effects on the Brazilian economy in general. Inflation, government efforts to control inflation and public speculation about future governmental actions have had, and can be expected to continue to have, significant impact on the Brazilian economy and on our operations in Brazil. As measured by the Brazilian *Índice Nacional de Preços au Consumidor* (National Consumer Price Index), or INPC, inflation in Brazil was 2.8%, 5.2%, 6.5%, 3.5% and 6.5% in 2006, 2007, 2008, 2009 and 2010, 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.

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

Brazil's rate of inflation and the government's actions to combat inflation have also affected the exchange rate between the *real* and the U.S. dollar. As a result of inflationary pressures, the Brazilian currency has been devalued periodically during the last four decades. Throughout this period, the Brazilian federal government has implemented various economic plans and utilized a number of exchange rate policies, including sudden devaluations, periodic devaluations (during which the frequency of adjustments has ranged from daily to monthly), floating exchange rate systems, exchange controls and dual exchange rate markets. During 2006, 2007, 2008, 2009 and 2010, the *real* appreciated 8.6%, 16.5%, (30.1%), 24.9% and 4.6%, respectively, against the U.S. dollar. In the six months ended June 30, 2011, as a result of the global economy crisis that unfolded in mid 2008 as a result of the disruption of the United States' subprime mortgage market, the *real* appreciated 3.49% 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 Brasil*, or the Brazilian Central Bank. We registered our investment in BrasilAgro with the Brazilian Central Bank on April 28, 2006. Although dividend payments related to profits obtained subsequent to April 28, 2006 are not subject to income tax, if the sum of repatriated capital and invested capital exceeds the investment amount registered with the Brazilian Central Bank, repatriated capital is subject to a capital gains tax of 15%. There can be no assurance that the Brazilian government will not impose additional restrictions or modify existing regulations that would have an adverse effect on an investor's ability to repatriate funds from Brazil nor can there be any assurance of the timing or duration of such restrictions, if imposed in the future.

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

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

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

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

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

#### ***Risks Relating to Our Region***

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

We 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.

In the past year, the world's economy experienced the effects of the crisis that unfolded in mid 2008 as a result of the disruption of the United States' subprime mortgage market. Though there has been some recovery, an interruption of such recovery may have an impact on the economic conditions difficult to predict. Triggering a less favorable or an unfavorable international environment for the countries where we operate or intend to operate, forcing domestic policy adjustments, which could cause adverse economic conditions and adversely affect our business.

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

In addition to Argentina and Brazil, we conduct or intend to conduct our operations in other Latin-American countries. Economic and political developments in 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.

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

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

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

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

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

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

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

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

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

***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.

***Risks Relating to Our Business***

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

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

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

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

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

The occurrence of severe adverse weather conditions, especially droughts, hail, or floods, is unpredictable and may have a potentially devastating impact upon our crop production and, to a lesser extent, our beef cattle and wool production. The occurrence of severe adverse weather conditions may reduce yields on our 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 cannot assume that they will not occur. According to the United States Department of Agriculture ("USDA") November 2010 estimates, Argentina's crops output (wheat, corn and soybean) for the 2010/2011 season is expected to be in line to that in the previous cycle. Also according to the USDA, the area sown with soybean will be equivalent to that of the previous cycle, but has estimated soybean output for the 2010/2011 season will decrease 4.6%, to 2.80 tons per hectare, compared to a record high in 2006/07 of 2.99 tons per hectare and a five-year average of 2.69 tons per hectare. The USDA forecasts Argentine wheat production for 2010/11 at 13.5 million tons, a 29% increase compared to the previous season. As regards corn, output for the previous cycle had been 22.5 million tons, whereas the USDA report for November estimated that in the 2010/2011 cycle Argentina's output will be 25.0 million tons. As regards the USDA November 2010 projections concerning soybean, Argentina's output will be 52.0 million tons, that is 4.6% lower and 62.5% higher than the production posted in the 2009/10 and 2008/09 seasons, respectively. The weather phenomenon during season 2008/2009 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 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 a significant portion of our production is not hedged, 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.

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

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

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

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

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

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

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

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***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 2011, we sold our products to approximately 127 customers. Sales of agricultural products to our ten largest customers represented approximately 75% of our net sales for the fiscal year ended June 30, 2011. Our biggest three customers are Cargill S.A., Bunge S.A. and Molinos Río de la Plata S.A., represented, in the aggregate, approximately 60% of our net sales in agricultural products, while the remaining seven customers in the aggregate represented approximately 15% of our net sales in fiscal year 2011.

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, 2011, these sales represented approximately 6.5% 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 agricultural business is highly seasonal in nature. The harvest and sale of crops (corn, soybean and sunflower) generally occurs from February to June. Wheat is harvested from December to January. Our operations and sales are affected by the growing cycle of the crops we process and by decreases during the summer in the price of the cattle we fatten. As a result, our results of operations have varied significantly from period to period, and are likely to continue to vary, due to seasonal factors.

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

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

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

As of September 30, 2011, Mr. Eduardo S. Elsztain, was the beneficial owner of 38.3% (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 September 30, 2011 Mr. Elsztain was the beneficial owner, due to his indirect shareholding through us of 63.2% of the common shares of IRSA, an Argentine company that currently owns approximately 94.9% of the common shares of its subsidiary Alto Palermo Sociedad Anónima (APSA) ("Alto Palermo" or "APSA") whose chief executive officer is Mr. Alejandro G. Elsztain, Mr. Eduardo Elsztain's brother and our chief executive officer. We cannot assure you that our principal shareholders will not cause us to forego business opportunities that their affiliates may pursue or to pursue other opportunities that may not be in our interest, all of which may adversely affect our business, results of operations and financial condition and the value of our common shares and the ADSs.

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

Our investment in IRSA is exposed to the common risks generally inherent in investments in commercial and residential properties, many of which are outside IRSA's control. Any of these risks could adversely and materially affect IRSA's businesses, financial position and/or results of operations. Any available returns on capital expenditures associated with real estate are dependent upon sales volumes and/or revenues from leases and the expenses incurred. Besides, there are other factors that may adversely affect the performance and the value of a property, including the local economic conditions prevailing in the area where the property is located, macroeconomic conditions in Argentina and in the rest of the world, competition from other companies engaged in real estate development, IRSA's ability to find lessees, non-performance by lessees and/or lease terminations, changes in legislation and in governmental regulations (including those governing the use of the properties, urban planning and real estate taxes), variations in interest rates (including the risk of an increase in interest rates causing a reduction in the sales of lots in properties intended for residential development) and the availability of funding. In addition, and given the relative illiquidity of the real estate market, IRSA could be unable to effectively respond to adverse market conditions and/or be compelled to undersell one or more of its properties. Broadly speaking, some significant expenses, such as debt services, real estate taxes and operating and maintenance costs do not fall when there are circumstances that reduce the revenues from an investment.

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

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

As of June 30, 2011 we consolidated our financial statements with our affiliate BrasilAgro. BrasilAgro was formed on September 23, 2005 to exploit opportunities in the Brazilian agricultural sector. BrasilAgro seeks to acquire and develop future properties to produce a diversified range of agricultural products (which may include sugarcane, grains, cotton, forestry products and livestock). BrasilAgro is a startup company that has been operating since 2006. As a result, it has a developing business strategy and limited track record. BrasilAgro's business strategy may not be successful, and if not successful, BrasilAgro may be unable to successfully modify its strategy. BrasilAgro's ability to implement its proposed business strategy may be materially and adversely affected by many known and unknown factors. If we were to write-off our investments in BrasilAgro, this would likely materially and adversely affect our business. As of September 30, 2011, we owned 35.75% of the outstanding common shares of BrasilAgro.



***We may be subject to extensive environmental regulation.***

Our activities are subject to a wide set of federal, state and local laws and regulations relating to the protection of the environment, which impose various environmental obligations. Obligations include compulsory maintenance of certain preserved areas in our properties, management of pesticides and associated hazardous waste and the acquisition of permits for water use. Our proposed business is likely to involve the handling and use of hazardous materials that may cause the emission of certain regulated substances. In addition, the storage and processing of our products may create hazardous conditions. We could be exposed to criminal and administrative penalties, in addition to the obligation to remedy the adverse 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, 2011, we owned land reserves extending over more than 229,459 hectares that were purchased at very attractive prices. In addition, we have a concession over 110,252 hectares reserved for future development. We believe that there are technological tools available to improve productivity in these farms and, therefore, achieve appreciation in the long term. However, current or future environmental regulations could prevent us from fully developing our land reserves by requiring that we maintain part of this land as natural woodlands not to be used for production purposes.

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

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

***Our Financial Statements have been prepared under Argentine GAAP and may not provide investors with the information investors would have received if the financial statements were prepared under IFRS.***

Our Financial Statements are prepared in Argentine pesos and in accordance with Argentine GAAP. Our Financial Statements under Argentine GAAP may not provide you with the information you would have received if our financial statements were prepared under U.S. GAAP or under IFRS. Publicly available information about public companies in Argentina is generally less detailed and not as frequently updated as the information that is regularly published by or about listed companies in the United States or European markets. Furthermore, there is a lower level of regulation of the Argentine securities markets and of the activities of the investors in these markets as compared to the securities markets in the United States, European markets and certain other international financial markets.

Argentine GAAP differs in certain significant respects from U.S. GAAP, SEC rules and regulations, and IFRS.

On March 20, 2009, the FACPCE issued Technical Resolution No. 26 “Adoption of International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (“IASB”)” which requires that companies under the supervision of the Comisión Nacional de Valores to prepare their financial statements in accordance with IFRS as published by the IASB for fiscal periods beginning on or after January 1, 2011, including comparative information for earlier periods. There are Consejos Profesionales or standard setters in each provincial jurisdiction in Argentina, which have the power to adopt, reject or modify a resolution issued by the FACPCE. The jurisdiction where we are located is the Federal District. On April 25, 2009, the CPCECABA approved Resolution No. 26. The CNV issued Resolution No. 562/09, as amended by Resolution 576/10 formally adopting application of Resolution No. 26 to its regulated entities for fiscal years beginning on January 1, 2012. We will be required to prepare our financial statements in accordance with IFRS as issued by the IASB for our fiscal year ended June 30, 2012. On April 29, 2010, our Board of Directors approved a plan for implementing IFRS. We are in the early stages of completing a diagnosis of the principal differences between Argentine GAAP and IFRS.

See “Summary of Certain Differences between Argentine GAAP and International Financial Reporting Standards (IFRS)” for a summary of the significant differences between Argentine GAAP and IFRS as it relates to us. We have not quantified the effect any potential change in accounting principles would have on our financial condition or results of operations and therefore can give no assurance that such changes will not have an adverse effect on our financial condition or results of operations. Such summary does not attempt to identify or quantify the impact of any potential difference between Argentine GAAP, U.S. GAAP and IFRS. You should rely on your own examination of us, the financial information contained in our financial statements and any other information contained herein. You should consult your own professional advisors in understanding the potential differences between Argentine GAAP and IFRS, if any, and how those differences might impact our financial condition and results of operations.

***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 November 30, 2010, we owned approximately 57.49% 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 may expand our operations into other countries, in which case we may be subject to the economic, legal, political and regulatory risks associated with such new regions and new regulations that could be imposed in the regions in which we operate.***

In the future we may expand our activities into other countries in Latin America or elsewhere if we decide that international expansion would be appropriate to achieve our objectives. The success in other countries of the business strategy and business model that we apply in the countries in which we operate could be subject to a high level of uncertainty and depend on numerous factors beyond our control such as an adverse changes in laws and local policies, particularly those relating to import tariffs, labor practices, environment, investment, acquisition of agricultural property by foreign companies or companies controlled by foreigners, and therefore we cannot assure you that any such expansion would be profitable or enable us to obtain the expected returns on our investments, or even recuperate our investments. Any international expansion of our activities would be subject to political, economic and regulatory risks in the relevant country and to risks inherent to the management of a transnational company.

***We may look for investment opportunities in jurisdictions other than Argentina, Bolivia, Paraguay and Brazil and may face other country risks which we are currently unable to indentify.***

We have a wide commercial strategy that takes advantage of different opportunities in other jurisdictions. We may decide to invest in other countries other than Argentina, Bolivia, Paraguay and Brazil, including countries in emerging markets located outside of Latin America, such as Africa. As a result, we are not able to identify all the country risks in jurisdictions where we may have future operations.

**Risks relating to our investment in IRSA.**

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

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

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

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

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

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

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

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

- abandonment of development opportunities and renovation proposals;
- construction costs of a project may exceed IRSA's original estimates for reasons including raises in interest rates or increases in the costs of materials and labor, making a project unprofitable;
- occupancy rates and rents at newly completed properties may fluctuate depending on a number of factors, including market and economic conditions, resulting in lower than projected rental rates and a corresponding lower return on our investment;
- pre-construction buyers may default on its purchase contracts or units in new buildings may remain unsold upon completion of construction;
- the unavailability of favorable financing alternatives in the private and public debt markets;
- sale prices for residential units may be insufficient to cover development costs;
- construction and lease-up may not be completed on schedule, resulting in increased debt service expense and construction costs;
- impossibility to obtain, delays in obtaining, necessary zoning, land-use, building, occupancy and other required governmental permits and authorizations, or building moratoria and anti-growth legislation;

- significant time lags between the commencement and completion of projects subjects IRSA to greater risks due to fluctuation in the general economy;
- construction may not be completed on schedule because of a number of factors, including weather, labor disruptions, construction delays or delays in receipt of zoning or other regulatory approvals, or man-made or natural disasters (such as fires, hurricanes, earthquakes or floods), resulting in increased debt service expense and construction costs;
- general changes in IRSA's tenants' demand for rental properties outside of the city of Buenos Aires; and

IRSA may incur capital expenditures that could result in considerable time consuming efforts and which may never be completed due to government restrictions.

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

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

***The real estate industry in Argentina is increasingly competitive.***

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

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

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

***IRSA faces risks associated with property acquisitions.***

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

- IRSA may not be able to obtain financing for acquisitions on favorable terms;
- acquired properties may fail to perform as expected;
- the actual costs of repositioning or redeveloping acquired properties may be higher than its estimates;
- acquired properties may be located in new markets where it may have limited knowledge and understanding of the local economy, absence of business relationships in the area or unfamiliarity with local governmental and permitting procedures; and
- IRSA may not be able to efficiently integrate acquired properties, particularly portfolios of properties, into its organization and to manage new properties in a way that allows it to realize cost savings and synergies.

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

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

***Acquired properties may subject IRSA to unknown liabilities.***

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

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

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

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

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

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

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

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

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

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

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

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

Real estate investments are relatively illiquid and this tends to limit its ability to vary its portfolio promptly in response to changes in 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 decrease in income from a certain investment. If income from a property declines while the related expenses do not decline, IRSA's business would be adversely affected. Some of its properties are mortgaged to secure payment of its indebtedness, and if IRSA is unable to meet its mortgage payments, it could lose money as a result of foreclosure on such mortgages and even lose such property. In addition, if it becomes necessary or desirable for it to dispose of one or more of the mortgaged properties, IRSA might not be able to obtain a release of the lien on the mortgaged property without payment of the associated debt. The foreclosure of a mortgage on a property or inability to sell a property could adversely affect its business. In transactions of this kind, IRSA may also agree, subject to certain exceptions, not to sell the acquired properties for significant periods of time.

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

The success of IRSA's business and profitability of IRSA's 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 its business growth. As part of its business goals, IRSA intends to increase its properties portfolio with strategic acquisitions of core properties at advantageous prices, and core plus and value added properties where IRSA believes it can bring necessary expertise to enhance property values. In order to pursue acquisitions, IRSA may need access to equity capital and/or debt financing. Recent disruptions in the financial markets, including the bankruptcy and restructuring of major financial institutions, may adversely impact its 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. Its ability to make scheduled payments or to refinance its obligations with respect to indebtedness depends on its operating and financial performance, which in turn is subject to prevailing economic conditions. If a recurrence of the disruptions in financial markets presents itself in the future, there can be no assurances that government responses to the disruptions in the financial markets will restore investor confidence, stabilize the markets or increase liquidity and the availability of credit.



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

IRSA had, and expects to continue to have, substantial liquidity and capital resource requirements to finance its business. As of June 30, 2011, our consolidated financial debt was Ps. 2,441 million (including short-term and long-term debt, accrued interest and deferred financing costs).

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

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

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

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

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

IRSA must maintain liquidity to fund its working capital, service, its outstanding indebtedness and finance investment opportunities. Without sufficient liquidity, IRSA could be forced to curtail its operations or it 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 its current resources do not satisfy our liquidity requirements, IRSA may have to seek additional financing. The availability of financing will depend on a variety of factors, such as economic and market conditions, the availability of credit and its credit ratings, as well as the possibility that lenders could develop a negative perception of the prospects of its company or the industry generally. IRSA 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 its major customers, which in turn could materially adversely affect its results of operations and liquidity.***

The recent credit crisis had a significant negative impact on businesses around the world. The impact of a crisis on its major tenants cannot be predicted and may be quite severe. A disruption in the ability of its significant tenants to access liquidity could cause serious disruptions or an overall deterioration of its businesses which could lead to a

significant reduction in its future orders of its products and the inability or failure on its part to meet its payment obligations to us, any of which could have a material adverse effect on IRSA's results of operations and liquidity.

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

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

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

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

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

***IRSA's future acquisitions may be unprofitable.***

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

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

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

***IRSA's ability to grow will be limited if it cannot obtain additional capital.***

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

The capital and credit markets have been experiencing extreme volatility and disruption during the current credit crisis. 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 our prospects or the industry generally. Therefore, IRSA may not be able to successfully obtain any necessary additional financing on favorable terms, or at all.

***Serious illnesses and pandemics, such as the 2009 outbreak of Influenza A H1N1 virus, also known as the "swine flu", have in the past adversely affected consumer and tourist activity, may do so in the future and may adversely affect the results of operations of IRSA.***

As a result of the outbreak of Influenza A H1N1 during the winter of 2009, consumers and tourists dramatically changed their spending and travel habits to avoid contact with crowds. Further, several governments enacted regulations limiting the operation of schools, cinemas and shopping centers. Even though the Argentine government only issued public service recommendations to the population regarding the risks involved in visiting crowded places, such as shopping centers, and did not issue specific regulations limiting access to public places, a significant number of consumers nonetheless changed their habits vis-a-vis shopping centers and malls. Additionally, the outbreak of Influenza A H1N1 contributed significantly to a decrease in the number of tourists visiting Argentina in 2009. Although there was not an outbreak of AH1N1 influenza in the winter of 2010 and 2011, we cannot assure you that a new outbreak or health hazard will not occur in the future, or that such an outbreak or hazard would not significantly negatively affect consumer and/or tourist activity, and that such scenario would not adversely affect our businesses or IRSA's.

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

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

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

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

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

***IRSA is subject to risks affecting the hotel industry.***

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

In addition, the profitability of IRSA's hotels depends on:

- IRSA's ability to form successful relationships with international and local operators to run its hotels;
- changes in tourism and travel patterns, including seasonal changes and changes due to pandemic outbreaks, such as the AH1N1 virus; or weather phenomenon or other natural events, such as the eruption of the Puyehué volcano in June 2011;
- affluence of tourists, which can be affected by a slowdown in global economy; and
- taxes and governmental regulations affecting wages, prices, interest rates, construction procedures and costs.

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

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

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

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

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

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

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

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

***Argentine Lease Law No. 23,091 imposes restrictions that limit flexibility of IRSA.***

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

- lease agreements may not contain inflation adjustment clauses based on consumer price indexes or wholesale price indexes. Although many of IRSA's lease agreements contain readjustment clauses, these are not based on an official index nor do they reflect the inflation index. In the event of litigation these provisions may not be enforceable and therefore it may be impossible for IRSA to adjust the amounts owed to IRSA under its lease agreements;
- residential leases must comply with a mandatory minimum term of two years and retail leases must comply with a mandatory minimum term of three years except in the case of stands and/or spaces for special exhibitions;
- lease terms may not exceed ten years, except for leases regulated by Law No. 25,248 (which provides that leases containing a purchase option are not subject to term limitations); and
- tenants may rescind commercial and office lease agreements after the initial six-month period.

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

***Eviction proceedings in Argentina are difficult and time consuming.***

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

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

***IRSA is subject to great competitive pressure.***

Most of IRSA's properties are located in Argentina. There are other shopping centers and numerous smaller retail stores and residential properties within the market area of each of its properties. The number of competing properties in a particular area 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 amount of rent or the sale price that we are able to charge. To date, there have been relatively few companies competing with IRSA for its shopping center properties. However, if additional companies become active in the Argentine shopping center market in the future, such competition could have a material adverse effect on our results of operations.

***IRSA's assets are concentrated in the Buenos Aires area.***

The principal properties of IRSA are located in the City of Buenos Aires and the Province of Buenos Aires and a substantial portion of their revenues are derived from such properties. For both its fiscal years ended June 30, 2010 and 2011, approximately 88% and 85% of our consolidated revenues were derived from properties in the Buenos Aires metropolitan area including the City of Buenos Aires. Although IRSA owns properties and may acquire or develop additional properties outside Buenos Aires, it expects 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 its financial condition and results of operations.

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

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

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

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

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.

***IRSA faces risks associated with its expansion in the United States.***

On July 2, 2008, IRSA acquired a 30% interest in Metropolitan, a limited liability company organized under the laws of Delaware, United States of America. During fiscal year 2011, as a result of certain negotiations, an agreement was reached to restructure Metropolitan's debt. Following such closing, we indirectly hold 49% of New Lipstick LLC, a holding company that is owner of Metropolitan. Metropolitan's main asset is the Lipstick Building, a 34-story building located on Third Avenue between 53rd and 54th streets in Manhattan, New York City. Metropolitan has incurred mortgage debt in connection with the Lipstick Building. For more information about Metropolitan, please see "International Investments".

Since August 2009 we acquired and subsequently sold part of our equity interests in Hersha, therefore, as of June 30, 2011 our share holding was 9.2%. Hersha's main assets are hotels, most of them located on the east coast of the United States. As of June 30, 2011, Hersha was the holder of an indirect controlling interest in 78 hotels. For more information on Hersha, see "Business-International".

In December 2010, we, through Rigby 183 LLC, in which we indirectly hold a 49% equity interest through IMadison LLC, jointly with other partners,

acquired a building located at 183 Madison Avenue, Midtown South, Manhattan, New York.



If the conditions of our Supertel Hospitality Inc. tender offer made in November 2011 are met, we will have an important equity ownership in this REIT, which main assets are 101 hotels across 23 states of the US. For more information about liquidity please see “Recent Developments”.

The U.S. markets have recently experienced 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 securities prices, rating downgrades and declining valuations, and this disruption has been acute in real estate and related markets. This disruption has led 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 such as offices, have experienced dramatic declines in property values and may continue to experience declines in business and real estate values in the U.S. or elsewhere. IRSA is 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 their 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 our subsidiary Inversora Bolívar S.A. (“Inversora Bolívar”), we 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, we, through Inversora Bolívar, increased our interest in Puerto Retiro to 50.0% of its capital stock. On April 18, 2000, Puerto Retiro received notice of a complaint filed by the Argentine government, through the Ministry of Defense, seeking to extend the bankruptcy of Inversora Dársena Norte S.A. (“Indarsa”). Upon filing of the complaint, the bankruptcy court issued an order restraining the ability of Puerto Retiro to dispose of, 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 purchased 90% of Tandanor, a formerly government-owned company, which owned a large piece of land near Puerto Madero of approximately 8 hectares, divided into two spaces: Planta 1 and 2. After the purchase of Tandanor by Indarsa, in June 1993 Tandanor sold “Planta 1” to Puerto Retiro, for a sum of US\$18 million pursuant to a valuation performed by J.L. Ramos, a well-known real estate brokerage firm in Argentina. Indarsa failed to pay to the Argentine government the outstanding price for its purchase of the stock of Tandanor. As a result, the Ministry of Defense requested the bankruptcy of Indarsa. Since the only asset of Indarsa was its holding in Tandanor, the Argentine government is seeking to extend Indarsa’s bankruptcy to the companies or individuals which, according to its view, acted as a single economic group. In particular, the Argentine government has requested the extension of the bankruptcy to Puerto Retiro, which acquired Planta 1 from Tandanor.

The time for producing evidence in relation to these legal proceeding has expired. The parties have submitted their closing arguments and are awaiting a final judgment. However, the judge has delayed his decision until a final judgment in the criminal proceedings against the former Defense Minister and former directors of Indarsa has been delivered. 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, 2011, would be lost. As of June 30, 2011, 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.***

IRSA develops and acquire properties in joint ventures with other persons or entities when we believe circumstances warrant the use of such structures. For example, in our Shopping Center segment, as of June 30, 2011, we owned approximately 94.9% of Alto Palermo. Through our subsidiary Alto Palermo, we own 80% of Panamerican Mall S.A., while another 20% is owned by Centro Comercial Panamericano S.A. In our Development and Sale of Properties segment, we have ownership of 50% in Puerto Retiro. In addition we have a 100% stake in Solares de Santa María S.A. In our Hotel segment, we own 50% of the Llao Llao Hotel, while the other 50% is owned by the Sutton Group. We own 80% of the Hotel Libertador, Hoteles Sheraton de Argentina S.A. owns 20%. We own 76.34% of Hotel Intercontinental. In the Financial Operations and others segment, we own approximately 29.77% of Banco Hipotecario, while the Argentine government has a controlling interest in it. Finally, we own a 49% interest in Metropolitan. 49% in a building located at Madison Avenue in New York and 9.2% in Hersha.

IRSA 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.

***Dividend restrictions in IRSA's subsidiaries' debt agreements may adversely affect it.***

IRSA has subsidiaries and an important source of funds for it are cash dividends and other permitted payments from its subsidiaries. The debt agreements of IRSA's subsidiaries contain covenants restricting their ability to pay dividends or make other distributions. If the subsidiaries of IRSA are unable to make payments to it, or are able to pay only limited amounts, IRSA may be unable to pay dividends or make payments on its indebtedness.

***IRSA is dependent on its chairman Eduardo Elsztain and certain other senior managers.***

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

***IRSA may face potential conflicts of interest relating to its principal shareholders.***

IRSA's largest beneficial owner is Mr. Eduardo S. Elsztain, through his indirect shareholding through us. As of June 30, 2011, such beneficial ownership consisted of: (i) 292,811,013 shares held by us, (ii) 41,080,112 shares held by Agrology, S.A. ("Agrology"), (iii) 628,070 shares held by Consultores Assets Management S.A., and (iv) 765,100 shares held directly by Mr. Elsztain.

Conflicts of interest between our management, IRSA and its affiliates may arise in the performance of IRSA'S business activities. As of June 30, 2011, Mr. Elsztain also beneficially owned (i) approximately 37.0% of our common shares and (ii) approximately 94.9% of the common shares of our subsidiary Alto Palermo. We cannot assure you that our principal shareholders and their affiliates will not limit or cause us to forego business opportunities that our affiliates may pursue or that the pursuit of other opportunities will be in our interest in IRSA's interest.

***Due to the currency mismatches between IRSA's assets and liabilities, it has significant currency exposure.***

As of June 30, 2011, the majority of its liabilities, such as IRSA's 8.5% and 11.5% notes due 2017 and 2020 respectively, Alto Palermo's Series I Notes and Alto Palermo's convertible notes are denominated in U.S. Dollars, while a significant portion of IRSA's revenues and assets as of June 30, 2011, are denominated in Pesos. This currency gap exposes IRSA to a risk of exchange rate volatility, which would negatively affect its financial results if the Dollar were to appreciate against the Peso. Any further depreciation of the Peso against the U.S. Dollar will correspondingly increase the amount of IRSA's debt in Pesos, with further adverse effects on its results of operation and financial

condition and may increase the collection risk of its leases and other receivables from its tenants and mortgage debtors, most of whom have Peso-denominated revenues.

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

During the last years, retail sales by means of the Internet have grown significantly in Argentina, even though the market share of Internet sales related to retail sales is still not significant. The Internet enables manufacturers and retailers to sell directly to consumers, diminishing the importance of traditional distribution channels such as retail stores and shopping centers. IRSA believes that its target consumers are increasingly using the Internet, from home, work or elsewhere, to shop electronically for retail goods, and this trend is likely to continue. If e-commerce and retail sales through the Internet continue to grow, consumers' reliance on traditional distribution channels such as its shopping centers could be materially diminished, having a material adverse effect on its 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, 2011, IRSA owned approximately 29.77% of the outstanding capital stock of Banco Hipotecario (without considering treasury shares) which represented 14.8% of our consolidated assets as of 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 Executive Branch Decrees implemented during and after 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, IRSA 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. 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 demand for new mortgage loans and the asset quality of outstanding mortgage loans. 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.

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.

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 Executive Branch 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 ("CER") a consumer price inflation coefficient. On May 6, 2002, the Executive Branch issued a Executive Branch Decree providing that mortgages originally denominated in U.S. Dollars and converted into Pesos pursuant to Executive Branch 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. As a result, only 10% of Banco Hipotecario's mortgage 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. During 2005, the CER increased to 11.75% and the WPI 10.7%, while in 2006 the CER and WPI increased 10.3% and 7.1%, respectively. In 2008, 2009 and 2010, CER increased 8%, 7% and 11%, respectively, and WPI increased 10%, 1.2% and 14.6% respectively. As of June 30, 2011, CER increased 4.8% and the WPI increased 6.3%.

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 Executive Branch Decrees extended this mortgage foreclosure suspension period. 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 on November 5, 2003, and implemented by Executive Branch Executive Branch Decree No. 1284/2003 and No. 352/2004, among sets forth 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, 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 Executive Branch 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, before the enactment of the Convertibility Law in 1991. The *Unidad de Reestructuración* was authorized to make non-binding recommendations to facilitate the restructuring of such mortgage loans. The *Unidad de Reestructuración* submitted a proposal to the National Congress recommending forgiveness or other write-off of such loans, extensions of their scheduled maturities or other subsidies that were capable of adversely affecting Banco Hipotecario's ability to foreclose on such mortgage loans. On November 21, 2007, the National Congress enacted Law No. 26,313, establishing a procedure for the restructuring of certain mortgage loans made by its predecessor, the former Banco Hipotecario Nacional. Law No. 26,313 restructures the affected loans by recalculating and reducing their unpaid balance (which had been previously restructured pursuant to a prior law). In December 2008, the applicability of Law No. 26,313 was limited to certain of Banco Hipotecario's mortgage loans made prior to April 1, 1991 to finance the construction of residential complexes which as of December 31, 2008, had been delinquent since November 2007 or earlier. As a result of the recalculation of loans, Banco Hipotecario has forgiven its right to enforce 8,317 mortgage loans representing approximately Ps.235.8 million in the aggregate. As of September 30, 2010, Banco Hipotecario had constituted loan allowances in connection with the results of this recalculation.

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, 2010 and June 30, 2011, Banco Hipotecario's portfolio of non-mortgage loans increased 62.0% from Ps.908.4 million to Ps.712.0 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, IRSA 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 government 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 GAAP which differ in certain material respects from Argentine GAAP. As of June 30, 2011 there are included securities that were not valued according to GAAP equivalent to Ps.85.5 million. The impact of valuing these securities in accordance with Argentine GAAP results in a decrease in net assets of Ps.7.3 million at June 30, 2010.

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

As of June 30, 2011, Banco Hipotecario's foreign currency-denominated liabilities exceeded its foreign-currency-denominated assets by approximately 157.1 million. 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 IRSA will not be adversely affected by Banco Hipotecario's exposure to risks of exchange rate fluctuations.

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

***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 Comisión Nacional de Valores, 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 Comisión Nacional de Valores 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 Comisión Nacional de Valores, we cannot assure you that the Comisión Nacional de Valores will not initiate new proceedings against Banco Hipotecario, its shareholders' or directors or impose further sanctions.

Commencing in early 2002, laws and Executive Branch 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. Please see "Exchange Rates and Exchange Controls".

***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.

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 IRSA hold would automatically lose their triple voting rights. If this were to occur, IRSA 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. IRSA cannot assure, 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 past and future 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.

#### **Risks Related to Our ADSs and Common Shares**

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

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

The ADSs are freely transferable under U.S. securities laws, including shares sold to our affiliates. Inversiones Financieras del Sur S.A., which as of September 30, 2011, owned approximately 38.3% of our common shares (on a fully diluted basis) (or approximately 186,053,240 common shares which may be exchanged for an aggregate of 18,605,324 ADSs), is free to dispose of any or all of its common shares or ADSs at any time in its discretion. Sales of a large number of our common shares and/or ADSs would likely have an adverse effect on the market price of our common shares and the ADSs.

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

There may be less publicly available information about the issuers of securities listed on the Buenos Aires Stock Exchange than is regularly published by or 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 Abogados, 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 common shares of ADSs 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, 2011, and we do not currently expect to become a PFIC, although there can be no assurance in this regard. The determination of whether we are a PFIC is made annually. Accordingly, it is possible that we may be a PFIC in the current or any future taxable year due to changes in our asset or income composition or if our projections are not accurate. The volatility and instability of Argentina’s economic and financial system may substantially affect the composition of our income and assets. In addition, this determination is based on the interpretation of certain U.S. Treasury regulations relating to rental income, which regulations are potentially subject to differing interpretation. If we become a PFIC, U.S. Holders (as defined in “Taxation United States Taxation”) of our common shares or ADSs will be subject to certain United States federal income tax rules that have negative consequences for U.S. Holders such as additional tax and an interest charge upon certain distributions by us or upon a sale or other disposition of our common shares or ADSs at a gain, as well as additional reporting requirements. See “Taxation–United States Taxation–Passive Foreign Investment Company Rules” 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.***

IRSA’s 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 dividends 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.

***Our shareholders' ability to receive cash dividends may be limited.***

Our shareholders' ability to receive cash dividends may be limited by the ability of the depositary to convert cash dividends paid in Pesos into U.S. Dollars. Under the terms of our deposit agreement with the depositary for the ADSs, to the extent that the ADS depositary can in its judgment, and in accordance with local exchange regulations, convert Pesos (or any other foreign currency) into U.S. Dollars on a reasonable basis and transfer the resulting U.S. Dollars abroad, the ADS depositary will promptly as practicable convert or cause to be converted all cash dividends received by it in Pesos on the deposited securities into U.S. Dollars. If in the judgment of the depositary this conversion is not possible on a reasonable basis (or is not permitted by applicable Argentine laws, regulations and approval requirements), the ADS depositary may distribute the foreign currency received by it in Pesos in Argentina or in its discretion hold such currency uninvested for the respective accounts of the owners entitled to receive the same. As a result, if the exchange rate fluctuates significantly during a time when the depositary cannot convert the foreign currency, you may lose some or all of the value of the dividend distribution.

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

The GDSs are freely transferable under US securities laws, including shares sold to our affiliates. We, which as of September 30, 2011, owned approximately 63.2% of our common shares (or approximately 365,815,965 common shares which may be exchanged for an aggregate of 36,581,596 GDSs), is free to dispose of any or all of its common shares or GDSs at any time in its discretion. Sales of a large number of our common shares and/or GDSs would likely have an adverse effect on the market price of our common shares and the GDS.

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

There may be less publicly available information about the issuers of securities listed on the Buenos Aires Stock Exchange ("Bolsa de Comercio de Buenos Aires") than publicly available information about domestic issuers of listed

securities in the United States and certain other countries. In addition, all listed Argentine companies must prepare their financial statements in accordance with Argentine GAAP and the regulations of the CNV 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 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.***

IRSA is 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. IRSA has 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.

***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 IRSA is 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 GDSs 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 IRSA may pay dividends to its 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 its 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 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.

***IRSA's ability to pay dividends is limited by law, by our by-laws and by certain restrictive covenants in our 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 our audited financial statements prepared in accordance with Argentine GAAP. In addition, our ability to pay dividends on IRSA's common shares is limited by certain restrictive covenants in IRSA's debt instruments.

On February 2, 2007, IRSA issued our 8.5% notes due 2017 in an aggregate principal amount of US\$150.0 million.

These notes contain a covenant limiting our 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 IRSA's consolidated interest coverage ratio for IRSA's 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 IRSA's 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 IRSA's restricted subsidiaries from (a) any contribution to IRSA's capital stock or the capital stock of IRSA's restricted subsidiaries or issuance and sale of IRSA's qualified capital stock or the qualified capital stock of IRSA's restricted subsidiaries subsequent to the issue of IRSA's notes due 2017, (b) issuance and sale subsequent to the issuance of IRSA's notes due 2017 or IRSA's indebtedness or the indebtedness of IRSA's restricted subsidiaries that has been converted into or exchanged for IRSA's qualified capital stock, or (c) any reduction in IRSA's indebtedness or any restricted subsidiary, (d) any reduction in debt investment (other than permitted

investments) and return on assets, or (e) any distribution received from non-restricted subsidiaries.

On July 20, 2010, we issued IRSA's Series II 11.5% notes due in 2020 in an aggregate principal amount of US\$ 150.0 million. These notes are subject to the same covenants as described above for IRSA's 8.5% notes due 2017.

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

#### **Item 4. Information on the Company**

##### **A. HISTORY AND DEVELOPMENT OF THE COMPANY**

###### ***General Information***

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

In March 2008 we concluded a capital increase of 180 million common shares. As a result, 180 million shares offered at the subscription price of US\$ 1.60 or Ps.5.0528 per share were fully subscribed, both locally and internationally. In addition, each shareholder received, without additional cost, one warrant for each share subscribed. See "Offer and listing details - Stock Exchanges in which our securities are listed".

In line with our international expansion strategy, on September of 2005 we participated in the creation of BrasilAgro with the purpose of replicating our business model in Brazil. As of June 30, 2011 we were a direct holder of shares equivalent to 35.75% of BrasilaAgro's outstanding capital stock.

As of September 30, 2011, we have invested approximately Ps.959.8 million to acquire our current 63.22% 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, 2011, 2010 and 2009, divided between our agricultural and real estate businesses:

Fiscal Year Ended June 30, 2011

*Agricultural Business*

*Sale of “La Juanita”*

On September 3, 2010, we signed the title deed of sale of the “La Juanita” farm, located in the District of Trenque Lauquen, Province of Buenos Aires. The transaction was agreed for a total price of US\$18 million. The sale resulted in a gain of Ps.49.6 million, which were reflected in the quarterly financial statements as of September 30, 2010.

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

In June 2011, we entered into a purchase agreements for two agricultural parcels located at Santa Cruz, Bolivia, with a total surface of 5,000 hectares, which will be used for agricultural exploitation:

(i) The first parcel has a surface of approximately 2,660 hectares for sugar cane exploitation purposes. The purchase price was US\$8.4 million. Upon the execution of the purchase agreement, we paid 23.8% of the purchase price. The balance will be paid in four installments, the first installment was paid in June 2011 and the last installment will be paid in October 2012.

(ii) The second parcel has a surface of approximately 2,340 hectares for soybeans exploitation purposes. The purchase price was US\$4.9 million. Upon the execution of the purchase agreement, we paid 33.9% of the purchase price. The balance will be paid in four consecutive semi-annual installments, the first two installments paid in December 2011 and the last one will be paid in June 2013.

Transfer of title of both parcels will occur once the purchase price has been paid in full.

Additionally, we have agreed to sell a parcel with a surface of 910 hectares for US\$3.64 million. We have been paid 27.5% of the purchase price and the balance will be paid in 5 consecutive semiannual installments, being the last installment in December 2013.

***Real Estate Business***

***Acquisition of Shares of Supertel***

On November 16, 2011, IRSA reported that Real Estate Strategies L.P., an investment vehicle managed and indirectly wholly owned by IRSA, had entered into a purchase agreement with Supertel Hospitality Inc. (“Supertel”), subject to Supertel’s shareholders’ approval and IRSA’s approval to Supertel’s debt restructuring.

Supertel is a Real Estate Investment Trust and its shares are listed and traded in NASDAQ under the symbol “SPPR”. Supertel began its operations in the late 1970s and in 1994 completed its Initial Public Offering.

Currently Supertel focuses on midscale, economy and extended-stay segments of the hospitality Industry, owning 101 hotels across 23 states of the US. Its properties are operated by various third party management companies and their franchise agreements, including brands such as Comfort Inn, Days Inn, Hampton Inn, Holiday Inn Express, Sleep Inn and Super 8.

In case the conditions described above are met, Real Estate Strategies L.P. will invest US\$20 million in exchange of two million newly issued preferred shares of Supertel, which will also include an option to purchase, up to an additional one million preferred shares for a price of US\$10 per share.

The preferred shares will bear an annual 6.25% preferred dividend; vote with the common stock, subject to certain voting limitations, and subject to ownership limitations, will be convertible into common stock of Supertel at the rate of ten shares for each share of preferred stock for a period of 5 years.

As part of the Agreement, Real Estate Strategies L.P. will also receive warrants to purchase 20 million shares of common stock, which may be increased up to 30 million shares pro rata with Real Estate Strategies L.P.’s exercise of

the option for additional preferred shares. Subject to ownership limitations, these warrants are exercisable at any time with an exercise price of US\$ 1.20 per share for a period of 5 years (with forced exercise under certain conditions after 3 years).

The transaction is anticipated to close within 90 days, subject to the fulfillment of the aforementioned conditions in connection to the approval of Supertel shareholders', and to the investor company satisfaction with certain Supertel's debt restructuring.

***Bitania 26 S.A.***

On December 13, 2011, IRSA reported that it has indirectly acquired 49% (forty-nine per cent) of the share capital of Bitania 26 S.A., a corporation which owns the hotel "Esplendor Savoy" in the city of Rosario, Province of Santa Fé, Argentina. The transaction amount was set up at Ps. 21.4.

***La Ribera Shopping – Santa Fe***

APSA acquired 50% of the capital stock of Nuevo Puerto Santa Fe S.A., a corporation that leases a building in which La Ribera Shopping was built and currently operates, located at Dique I of the Santa Fe City's Port. As it is a building under a concession agreement, the purchase of shares of Nuevo Puerto Santa Fe S.A. was subject to the condition that the Santa Fe Port Administration Office approved the change in the company's capital stock and that the Santa Fe's Lottery Retirement Fund (Caja de Previsión Social Lotería de Santa Fé) did not challenge it. The execution date of the documents was June 15<sup>th</sup>, 2011 and the final execution including the referred approval occurred during August 2011.

***Sale of a lot to GENSAR S.A.***

On September 22, 2011, APSA through its subsidiary Shopping Neuquén Sociedad Anónima agreed to assign, sell and transfer to GENSAR S.A. a lot designated as Lot H with all the fixtures, buildings, and improvements bound to the soil. This lot is part of the property facing Doctor Ramon St. unnumbered, and the National Road N° 7, located in the City of Neuquén, Province of Neuquén, Argentina, Department of Confluencia, First section, with a total area of 14,792 meters and 68 square decimeters, for the agreed total price of US\$0.4 million, paid in cash.

The property would be transferred on the condition that the buyer utilized it to construct and operate a supermarket at its own cost and expense, in accordance with the terms and conditions agreed upon with Neuquén Municipality.

***Acquisitions******Acquisition of Soleil Factory shopping center business***

On December 28, 2007, APSA and INCSA signed a letter of intent to acquire, build and manage a shopping center in a plot of land owned by INCSA, located in the City of San Miguel de Tucumán, Province of Tucumán. This transaction was contingent upon the acquisition of the Soleil Factory shopping center. Upon completion of the acquisition of the Soleil Factory on July 1, 2010, as described below, APSA was obligated to commence the construction works on the site on May 2, 2011. However, INCSA shall comply with certain obligations prior to the commencement of said works, such as (i) delivery of the title deed of the plot of land and (ii) transfer of rights and permits on the architectural project to APSA. As of the date of this annual report, these obligations have not been fulfilled and the construction works have not commenced.

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

***Paraná plot of land***

On August 12, 2010, APSA acquired a 10,022 square meter property in the City of Paraná, Province of Entre Ríos, Argentina for US\$ 0.5 million. APSA paid US\$ 0.15 million and the remaining balance of US\$ 0.35 million will be paid at the time the title is obtained.

According to the agreement, the deeds of title will be transferred within 60 days after the following conditions are fulfilled: (i) APSA obtains the required municipal permits, or (ii) the seller obtains the lot subdivision, whichever occurs later. None of these conditions have occurred as of the date of this annual report. On March 18, 2011, the Municipality of Parana granted a pre-clearance to construct a shopping mall on the premises, although definitive permits are still pending.

***Sale of plots of land***

On May 18, 2010 APSA sold two plots of land located at Carlos Gardel Street Nos. 3128 and 3134 in the City of Buenos Aires for US\$ 0.46 million, which was collected in full at year-end. On July 5, 2010 the deed of title was executed.

***Sale of Rosario plots of land***

On April 14, 2010, APSA sold the lot designated as "2A" of a parcel of land located in the District of Rosario, City of Rosario, Province of Santa Fe for US\$ 4.2 million, paid in full as of June 30, 2011.

On May 3, 2010, APSA sold the lot designated as "2E" for US\$ 1.4 million paid in full as of June 30, 2011.

On November 10, 2010, APSA sold the lot designated as “2F” for US\$ 1.9 million, of which US\$ 1.3 million was paid as on June 30, 2011 with the remaining balance collected on July 6, 2011.

On December 3, 2010, APSA sold the lots designated as “2B”, “2C” and “2D” for US\$ 1.5 million each, of which US\$ 3 million was paid on June 30, 2011 and US\$ 1.5 million (lot “2D”) will be collected upon execution of the deed of title.

### ***Shopping Neuquén project***

On July 5, 2010 APSA commenced the development of the shopping mall and the hypermarket.

Additionally, on November 8, 2010, Shopping Neuquén S.A. was notified of a court resolution establishing the amount of legal costs and fees to be paid by Shopping Neuquén S.A. related to prior litigation with the Municipality. As of the date of this annual report this resolution is not firm and Shopping Neuquén S.A. is currently evaluating its courses of action.

On April 15, 2011, Shopping Neuquén S.A. entered into an agreement with Gensar S.A., an unrelated third party developer, pursuant to which Gensar S.A. acquired the right to purchase one plot of land of the project adjacent to the place where the shopping center is being developed. Gensar S.A. agreed to construct and operate a hypermarket. Shopping Neuquén transferred possession of the land in April 2011. On September 16, 2011, the public deed for the property of the mentioned lot was granted in favor of Gensar S.A., whose record is pending before the corresponding Registry of Property.

### ***Barter agreement with TGLT S.A.***

On October 13, 2010, APSA and TGLT S.A., a real estate developer in Argentina, entered into an exchange agreement in connection with a plot of land situated at Beruti 3351/3359, between Bulnes and Avenida Coronel Díaz in Palermo, a neighborhood in the City of Buenos Aires close to IRSA’s Shopping Center known as “Alto Palermo Shopping.” The property has a surface of 3,207 square meters and the purchase price was US\$18.8 million. This transaction has been a significant acquisition because of the strategic location of the property, in the immediate vicinity of IRSA’s main shopping center. As consideration, TGLT S.A. agreed to transfer to APSA (i) certain units to be determined, representing 17.33% of the aggregate surface of the units to be built, (ii) a number of parking spaces to be determined, representing 15.82% of the aggregate surface of the parking spaces to be built, (iii) all the commercial parking spots and (iv) US\$10.7 million, which were paid upon the execution of the purchase deed in favor of TGLT S.A.. The transaction was subject to certain precedent conditions including the completion by TGLT of its initial public offering. TGLT S.A. completed its initial public offering in the Buenos Aires Stock Exchange on October 29, 2010 therefore; the precedent condition for the transaction was fulfilled on that date. TGLT S.A. paid the US\$10.7 million on November 5, 2010. On December 16, 2010, the title deed to the Berutti plot of land was executed.

To ensure performance of obligations assumed by TGLT S.A. under the deed of sale, a mortgage was granted in favor of APSA.



On June 9, 2011, the Administrative and Tax Contentious Law Court No. 9 of the City of Buenos Aires issued a precautionary measure in the lawsuit “Asociación Amigos Alto Palermo vs. the Government of the City of Buenos Aires for Amparo”, which ruled the suspension of the works.

***Fiscal Year Ended June 30, 2010***

***Agricultural Business***

***Expanding business into the Republic of Paraguay***

On March 19, 2010 our subsidiary Cresca S.A. (“Cresca”) required the transfer of 3,614 hectares from Carlos Casado S.A., pursuant to an option Cresca exercised in September 2008.

Pursuant to the option agreement, Cresca will pay Carlos Casado S.A. an aggregate purchase price of US\$350 per hectare or US\$1.3 million as follows: US\$0.3 million was paid on March 23, 2010; US\$0.5 million was paid on December 1, 2010 and US\$0.5 million will be paid on March 1, 2011.

On June 29, 2010, the title deed was executed for 3,646 hectares.

***Sale of “Tali Sumaj” farm***

On December 17, 2009, we entered into a preliminary agreement for our sale of the “Tali Sumaj” farm (12,701 hectares), located in the Province of Catamarca. The transaction was agreed for a price of US\$ 4.8 million, of which US\$ 0.5 million have been already collected, whereas the balance was payable on April 15, 2010. The deed of sale would become effective if before April 15, 2010 the preliminary attachment levied in the matter of “EXAGRIND S.A. - Estancia San Rafael v. Tali Sumaj et al, on Damages” was released.

On April 14, 2010 the parties agreed to extend the closing date of the deed of sale and payment of the purchase price balance until May 17, 2010, conditioned upon the final release of the preliminary attachment mentioned above.

On May 28, 2010 possession of the property was surrendered as the full price had been previously received, and the execution of the deed of sale remained pending for reasons not attributable to us. In addition, we promised to take all actions available to us, so as to obtain the release and/or the replacement of the attachment, and undertook to perform all obligations that might arise if an adverse judgment was rendered and to bear all legal costs and further procedural expenses resulting from an adverse final judgment in the case. To such end, we delivered a performance bond for the benefit of the purchaser as security for our obligations.

***Real Estate Business***

***Acquisition of real estate assets in Uruguay***

In December 2009, IRSA acquired from an unrelated party a parcel of land for US\$ 1.9 million, of which US\$ 0.3 million has been paid with the remaining balance to be settled through the delivery of housing units and/or storefronts to be constructed on the site equivalent to about 8% of the commercial value of all such.

In February 2010, IRSA acquired additional parcels of land for US\$ 1.0 million, of which US\$ 0.15 million has been paid with the balance to be settled in 3 consecutive and equal installments maturing on December 31, 2011, June 30, 2013 and December 31, 2014. Outstanding balances accrue interest at an annual fixed rate of 3%, payable quarterly and in arrears from December 31, 2009.

***Acquisition of Catalinas Norte plot of land***

In December 2009, IRSA acquired through a public auction a 3,649 square meters plot of land located in the area known as Catalinas Norte in the City of Buenos Aires for Ps. 95.0 million paid in cash as of June 30, 2010.

*Sale of properties in Guaymallén (Mendoza) and Rosario*

On April 14, 2010, IRSA sold the lot designated as 2A of a building located in the District of Rosario, City of Rosario, Province of Santa Fe for US\$ 4.2 million, of which US\$ 1.0 million was collected as of June 30, 2010. The remaining balance will be settled upon executing the title deed. The sale is subject to certain conditions precedents, which have not been fulfilled as of year-end.

On May 3, 2010, IRSA sold the lot designated as 2E of a building located in the District of Rosario, City of Rosario, Province of Santa Fe for US\$ 1.4 million, of which US\$ 0.3 million were collected as of June 30, 2010. The outstanding balance will be settled as follows: (i) an amount of US\$ 0.3 million due on September 30, 2010, upon transfer of the title deed and (ii) an amount of US\$ 0.7 million, due on May 30, 2010 plus 14% interest, as from the transfer of the title deed. The lot was mortgaged in our favor as collateral for the payment.

*Sale of Buildings*

IRSA sold 14,777 square meters of gross leasable area for Ps. 168.3 million in cash. These sales generated a profit of Ps. 115.4 million.

***Fiscal Year Ended June 30, 2009***

***Agricultural Business***

*Acquisitions of farmland in Republic of Paraguay*

During September 2008, we entered into an option agreement to acquire a 50% interest in 41,931 hectares located in Mariscal José Félix Estigarribia, Department of Boquerón, Chaco Paraguayo, Republic of Paraguay, owned by Carlos Casado, for a price of US\$ 5.2 million, in order to contribute them to the new company recently organized (Cresca). The contribution was made on January 26, 2009, and the title deed to the property was executed on February 3, 2009.

*Acquisitions of farmland in Bolivia*

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On July 28, 2008, we 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\$8.9 million was paid in cash. The outstanding balance will be paid without interests in February 15, 2011. For the outstanding balance of such real estate property, a mortgage was established in favor of the sellers, effective through the payment date.

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\$ 6.9 million was paid in cash. The outstanding balance was paid without interests in November, 2010.

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\$ 6.7 million was paid in cash. The outstanding balance was paid without interests on November, 2010.

*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, therefore, we paid the balance of US\$ 1.8 million on March 11, 2010 upon the execution of the title deed for such property.

*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 upon executing the title deed and the balance was collected in two annual consecutive installments of US\$0.12 million each, plus accrued interest at LIBO rate 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 has been collected. The transaction generated a gain of US\$0.5 million.

***Real Estate Business***

*Sale of Buildings*

We sold 20,315 square meters of gross leasable area for Ps. 201.3 million in cash. These sales generated a profit of Ps. 119.4 million.

## **Formation of Companies**

### ***Fiscal Year Ended June 30, 2011***

#### *Acquisition of additional interest and warrants of BrasilAgro*

On October 20 and December 23, 2010, we executed with Tarpon an addendum to the Share Purchase Agreement dated April 28, 2010, under which we either directly or indirectly acquired 9,581,750 shares of common stock of BrasilAgro, representing 16.40% of the outstanding stock and 64,000 warrants from the First Issue and 64,000 warrants from the Second Issue. Consequently, Cresud paid Rs. 25.2 million on October 20, 2010, Rs. 50.8 million on December 23, 2010, Rs. 52.5 million on April 27, 2011.

Consequently, we hold 20,883,916 shares or 35.75% of BrasilAgro's capital stock as of June 30, 2011. It should be noted that acquiring shares does not imply a change in the control over BrasilAgro; and that BrasilAgro's Shareholders' Agreement will remain effective with the amendments that may be required to sell all shares owned by Tarpon and its affiliates.

Likewise, due to the transaction, we own directly and indirectly 168,902 BrasilAgro's First Issuance Warrants and 168,902 BrasilAgro's Second Issuance Warrants.

As of June 30, 2011 we registered an asset for Ps. 27,199 for the acquisition of these warrants.

Following the guidelines of Technical Resolution No. 21 of the F.A.C.P.C.E, we have consolidated our financial statements with BrasilAgro's financial statements as of June 30, 2011.

#### *Investment in Cactus*

On December 23, 2010, we made a capital contribution of Ps. 16 million to Cactus. As a result, our direct interest increased to 80%. On that same date, Cactus's Shareholders Meeting approved a capital increase of Ps. 6.9 million with an additional paid-in capital of Ps. 9.1 million.



*Investment in FyO.Com*

On September 30, 2010, the Ordinary Shareholders Meeting of FyO.Com approved a capital increase for an amount of Ps. 5,925, in connection with the issuance of 538,613 registered, non-endorsable shares of common stock with a face value of Ps. 1, plus an additional paid-in capital for Ps. 5,386. As a result, we subscribed shares for Ps. 4,467. The subscription of shares for Ps. 3,541 was made by the conversion of debt into equity and the Ps. 926 difference was paid in cash. As a result of the transaction, our interest in FyO.com is 65.85% as of September 30, 2010 and it remains the same as of the date of this annual report.

*Northagro S.A., Agrotech S.A. and Pluriagro S.A.*

As per Bolivian law, entities must legally have a minimum of three shareholders. To comply with this requirement, in September 2010, we formed three subsidiaries, named Northagro S.A., Agrotech S.A. and Pluriagro S.A. These entities were formed with nominal capital contributions, and their only assets are an interest in some of our Bolivian subsidiaries.

***Real Estate Business***

*Acquisition of Unicity S.A*

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

*Purchase of Banco de Crédito & Securitización (“BACS”) shares*

On March 10, 2011, IRSA signed an stock purchase agreement with the International Finance Corporation (IFC) for a total of 796,875 common shares, which represents a 1.28% of BACS capital stock in an aggregate amount of US\$ 0.32 million, US\$ 0.06 million of which were paid upon execution of the agreement, and the balance of US\$ 0.26 million (supported by respective promissory notes) are to be repaid at the time of closing of the transaction, that is within 12 business days as from approval of the transaction by the BCRA, which as of the date of these Annual Report is still pending.

*Acquisition of shares of Banco Hipotecario S.A.*

During the last fiscal years and in the current fiscal year, we have been conducting various purchase and sale transactions of BHSA shares, as a result of which, as of June 30, 2011, our equity interest in BHSA is 29.77% of BHSA's capital stock (without considering treasury shares).

*Purchase and sale of APSA's Notes*

On October 12, 2010, we sold APSA's Series I negotiable obligations through the secondary market for a nominal value of US\$ 39.6 million that it had been acquired in the course of fiscal year 2009. The total amount collected from the transaction was US\$ 38.1 million. The difference has been treated as an implicit financial cost of the transaction, which shall accrue and be amortized against income over the term of the notes.

*Acquisition of Hersha Hospitality Trust ("Hersha")*

In October 2010, IRSA through Real Estate Investment Group L.P. ("REIG") purchased 2,952,625 additional shares of Hersha's common stock for an aggregate purchase price of US\$ 17.1 million.

During December 2010, March and June 2011, IRSA through certain subsidiaries sold 1,500,000, 738,800 and 303,579 common shares, respectively, in Hersha for a total of US\$ 16.1 million, which resulted in approximately US\$ 11.5 million gain.

As of June 30, 2011 IRSA's direct and indirect interest in Hersha represented 9.18%. On the other hand, upon exercise of the call option and assuming any IRSA's interest is not diluted due to newly issued shares, IRSA's interest in Hersha would be 12.13%. IRSA accounts for its investment in Hersha at cost while the call option has been accounted for at its fair value.

*Reorganization of Lipstick New York Building*

In July 2008, we (through our subsidiaries) acquired a 30% interest in "Metropolitan 885 Third Avenue LLC" ("Metropolitan"), a Delaware-based limited liability company and ultimate parent company of Metropolitan 885 Third Avenue Leasehold LLC ("Metropolitan Leasehold"). The main asset of Metropolitan Leasehold is a rental office building in New York City known as the "Lipstick Building" and debt related to that asset. The transaction included the



acquisition of (i) a put right exercisable until July 2011 to sell a 50% of the interest acquired at the same value paid plus interest at 4.5% per annum and (ii) a right of first offer to acquire a 60% portion of the 5% interest of the shareholding. The total price paid was US\$ 22.6 million.

During 2009 and in the context of the financial crisis and shrinkage of the real estate market in New York, Metropolitan incurred in significant losses, which resulted in negative equity mainly due to impairment recognized in connection with the building. Since our share in Metropolitan's losses exceeded its equity interest; we recognized a zero value on our investment although a liability of US\$ 1.5 million was recorded which represented our maximum commitment to fund Metropolitan's operations.

On November 16, 2010, Metropolitan Leasehold filed a voluntary pre-packaged plan of reorganization under Chapter 11 of Title 11 of the United States Code including a disclosure statement and a plan of reorganization. The plan provides for, among other things, the extinguishment of 100% of the Parent Company, the Holding Company and the Junior Mezz membership interest in the property owner and issuance of the membership interest in the reorganized debtor to New Lipstick, the new Metropolitan Leasehold holding company.

In December 2010, the negotiations geared towards restructuring the amounts owed under mortgage to Royal Bank of Canada came to a successful conclusion. The debt was reduced from US\$ 210.0 million to US\$ 130.0 million (excluding accrued interest) at a Libor plus 400 basic points rate, which may not exceed a maximum rate of 6.25% and with a maturity date fixed at seven years. The junior indebtedness to Goldman, Sachs & Co., which had amounted to US\$ 45.0 million (excluding accrued interest), was cancelled through a US\$ 2.25 million payment.

Metropolitan Leasehold will maintain the existing ground leases in the same terms and conditions in which they had been initially agreed upon, for a remaining 66 years' term. The final consent to this restructuring has already been tendered by all the parties concerned and the closing was consummated on December 30, 2010, as that is when the company New Lipstick LLC, the new Metropolitan Leasehold holding company, made a US\$ 15.0 million principal payment as repayment of the newly restructured mortgage debt, thus reducing it from US\$ 130.0 million to US\$ 115.0 million.

As a consequence of said reorganization, we have indirectly – through New Lipstick – increased our equity interest in the Lipstick Building to 49%. This increase originated in a US\$ 15.3 million capital contribution and in the fact that the put option for 50% of the shareholding initially acquired in Metropolitan, which had amounted to approximately US\$ 11.3 million plus accrued interest, has been rendered ineffectual. Besides, the above-mentioned commitment, for US\$ 1.5 million, ceased to be in effect

#### *Purchase of shares of TGLT S.A.*

On November 4, 2010, APSA acquired 5,214,662 registered, non-endorsable shares of common stock, entitled to one vote per share, issued by TGLT S.A. for a total amount equivalent to Ps. 47.1 million under the initial public offering of the latter.

During December 2010, January and April 2011, APSA acquired 42,810; 98,000 and 876,474 of shares, respectively, for an amount of Ps. 9.2 million, reaching 8.86% of TGLT S.A.'s common stock.

In December 2010, APSA acquired 9,598 non endorsable, registered, common shares, with right to one vote each and representative of 0.01% of TGLT S.A.'s capital stock. The total price paid was Ps. 0.1 million.

#### *Acquisition of Torodur's shares*

On June 13, 2011, APSA acquired for a de minimis consideration a 100% interest in the capital stock of Torodur, a Uruguayan-based shell entity with no significant assets and/or operations. This entity was previously owned 98% by IRSA and the remaining 2% equally by Cam Communications LP (Bermudas), (formerly Elsztain Realty Partners Master Fund II LP), and Cam Communications LP (Delaware).

On June 15, 2011, Torodur S.A. acquired 16.66% of Nuevo Puerto Santa Fe S.A.'s shares for US\$ 1.5 million.

*Acquisition of Metroshop's shares*

On January 13, 2011, APSA purchased 18,400,000 registered, non-endorsable shares of common stock with a face value of Ps. 1 each and entitled to one vote per Class B share, representing 50% of Metroshop's common capital stock. As of June 30, 2011 we hold 100% of Metroshop's common capital stock. See the section Disposals for details on the disposal of main assets of Metroshop.

*Acquisition of Soleil Factory shopping center business*

On December 28, 2007, APSA and INCSA signed a letter of intent to acquire, build and manage a shopping center in a plot of land owned by INCSA, located in the City of San Miguel de Tucumán, Province of Tucumán. This transaction was contingent upon the acquisition of the Soleil Factory shopping center. Upon completion of the acquisition of the Soleil Factory on July 1, 2010, as described below, APSA was obligated to commence the construction works on the site on May 2, 2011. However, INCSA shall comply with certain obligations prior to the commencement of said works, such as (i) delivery of the title deed of the plot of land and (ii) transfer of rights and permits on the architectural project to APSA. As of the date of this annual report, these obligations have not been fulfilled and the construction works have not commenced.

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

*Acquisition of Nuevo Puerto Santa Fe S.A.'s shares*

On June 15, 2011, APSA acquired from Boldt S.A. and Inverama S.L., two unrelated companies, 50% interest in the capital stock of NPSF (33.34% direct and 16.66% through Torodur S.A.), a company who acts as a lessee of a property built and operated as a shopping center in the port of the city of Santa Fe, Province of Santa Fe.

APSA made a down payment of US\$ 0.377 million and will settle the remaining balance in 24 monthly non-interest bearing installments with the last installment due on February 2013.

The acquisition was contingent upon the approvals by the Ente Regulador del Puerto de Santa Fe (Regulatory Entity of the Port of Santa Fe) and the Caja de Asistencia Social Lotería de Santa Fe which were obtained subsequent to year-end, on August 18, 2011. As of June 30, 2011, the payments were recognized under Non-current Investments included in the line item "Advance payments for the acquisition of shares".

*Shopping Neuquén project*

On July 5, 2010 APSA commenced the development of the shopping mall and the hypermarket.

On November 8, 2010, Shopping Neuquén was served notice of a resolution issued by the High Court of Neuquén, by which certain pending fees to be paid by Shopping Neuquén were established. Such decision is not final and Shopping Neuquén has filed an appeal on November 12, 2010 an appeal for annulment on November 17, 2010, and an extraordinary appeal on November 24, 2010.

On April 15, 2011, Shopping Neuquén S.A. entered into an agreement with Gensar, an unrelated third party developer, pursuant to which Gensar acquired the right to purchase one plot of land of the project adjacent to the place where the shopping center is being developed. Gensar committed to construct and operate a hypermarket. APSA transferred possession of the land in April 2011. On September 16, 2011, the public deed for the property of the mentioned lot was granted in favor of Gensar S.A., whose record is pending before the corresponding Real Estate Registry.

***Fiscal Year Ended June 30, 2010***

***Real Estate Business***

***Acquisition of Hersha Hospitality Trust***

On August 4, 2009, through REIG, IRSA acquired 5.7 million common shares which represent approximately a 10.4% equity interest in Hersha's outstanding capital stock. Together with the acquisition of the aforementioned equity interest, IRSA was granted an option to acquire 5.7 million additional common shares of Hersha at a price of US\$3.00 per share; which option expires on August 2014. The total purchase price was US\$14.3 million.

On January 2010, IRSA acquired 4.8 million additional shares in Hersha for a total price of US\$ 14.4 million, increasing our stake in Hersha to 10.3%. In turn, on March 24, 2010, Hersha resolved upon a capital in which we exercised our preemptive subscription rights. Therefore, as of June 30, 2010, IRSA's interest in Hersha amounted to 10.9% of Hersha's capital stock.

***Acquisition of Torodur S.A.***

In May 2010, we acquired Torodur S.A.'s, a shell company located in Uruguay, for *de minimis* consideration.

***Acquisition of Arcos del Gourmet S.A.'s shares***

On November 27, 2009, we exercised the option and completed the acquisition of 80% of Arcos del Gourmet S.A.'s ("Arcos) common stock for an aggregate purchase price of US\$ 6.5 million, of which US\$ 3.1 million was paid as of June 30, 2010. The remaining balance will be paid as follows: (i) US\$ 2.0 million in two equal annual installments due on the second and third anniversary of the acquisition date and (ii) US\$ 1.4 million at the time of executing the share subscription agreements.

As customary for this type of transactions, we consulted with the National Antitrust Commission about the need to report the acquisition, which is still pending a response.

On February 17, 2010, the shareholders of Arcos approved a capital increase of US\$ 2.7 million, equivalent to Ps. 10.4 million, of which we contributed Ps. 8.3 million.

On June 25, 2010, we and certain of the minority shareholders entered into an option agreement to acquire the 17.54% minority interest in Arcos for an aggregate price of US\$1.4 million, of which US\$ 0.4 million was paid as of the date of this form. The option expires on April 30, 2011 and is subject to certain conditions including but not limited to that ONABE launches a bidding process for the sale of the concessioned assets over which we have a preemptive right.

***Fiscal 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 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, which are derived from the purchase option granted by Carlos Casado S.A. to Cresca, and was exercised on September 3, 2008.

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.

Additionally, we executed a pre-purchase agreement as committed to acquire for a 50% interest in 41,931 hectares in Paraguay, owned by Carlos Casado 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, our 99.99% directly and indirectly controlled subsidiary Agrology made a contribution in kind to the Paraguayan company, Cresca. 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 S.A. contribution, the total contribution to Cresca stands at US\$ 10.5 million.

Likewise, on that date, the amount of US\$ 5.2 million was paid for the balance of the price originated by the capital contribution made by Carlos Casado to Cresca on behalf of Agrology S.A. and which resulted from the in-kind contribution of five plots of land located in The Republic of Paraguay, as it was mentioned opportunely.

*Investment in Cactus Argentina S.A. ("Cactus")*

We had a 24% interest in Cactus. On June 30, 2009, we, directly and indirectly through our subsidiary Agrology, by means of its subsidiary Helmir S.A. (“Helmir”), acquired an additional 24% interest in Cactus for a total consideration of US\$1.2 million, which was paid on June 30, 2010. Later, we acquired such interest from Helmir S.A. and, consequently, our direct interest in Cactus increased to 48% as of June 30, 2010.

### ***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, 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 and 2010, amounted to US\$11.8 million and US\$12.3 million, respectively, disclosed under other receivables.

#### *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. 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.

#### *Acquisition of Arcos 's shares*

In August 2007, APSA paid US\$ 0.6 million for an option to purchase an 80% interest in Arcos, a company holder of a concession to exploit the old warehouses and adjacent spaces owned by the Organismo Nacional Administrador de Bienes del Estado ("ONABE"), a public entity created to administer certain public assets, mainly those pertaining to former national railway assets.

#### *Capital Expenditures*

Our capital expenditures totaled Ps.2,146.6, Ps.216.6 million, and Ps.317.2 million for the fiscal years ended on June 30, 2011, 2010 and 2009, including other 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, completion of building a shopping center, construction of real estate and acquisition of land reserves.

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

#### *Fiscal Year Ended June 30, 2011*

For the year ended June 30, 2011, our investments in the real estate business totaled Ps. 967.1 million of which (i) Ps. 899.8 million related to the acquisition and improvements to fixed assets, mainly by (a) Ps.713.1 million related to the allocation of the purchase price paid for the acquisition of a additional interest in Alto Palermo, (b) the acquisition of goodwill Soleil Factory by Ps.41.7 million, (c) the acquisition of the San Martin plot of land for Ps.70.2 million, (d) units to be received (commercial garages) associated with the barter of Beruti plot of land for Ps.9.3 million, (e) completion of Dot Baires Shopping and construction of office building attached Ps. 7.7 million, (f) improvements in our shopping centers Ps. 9.5 million, and (g) improvements in our Hotels: Libertador Sheraton, Intercontinental and Llao Llao (Ps.4.6 million, Ps.2.2 million and 1.7 million respectively) and (ii) Ps. 67.3 million in the acquisition of undeveloped land, of which Ps. 29.6 million correspond to the allocation of the purchase price paid for 50% of SA Liveck (Zetol and Vista al Muelle plot of land), Ps. 18.1 million correspond to the allocation of the price paid for the acquisition of Unicity SA (10% additional Santa María del Plata), Ps. 12.9 million to the allocation of the purchase price paid for an additional stake in Alto Palermo SA (APSA), and Ps. 6.7 million allocation for the price paid by the goodwill of Soleil Factory (construction rights).

In addition, our main investments in the agricultural business during fiscal year 2011 were (i) Ps. 1,067 million in acquisitions through business combinations (BrasilAgro and Cactus), (ii) Ps. 18.0 million in land development, (iii) Ps. 25.2 million for works in progress (including Ps. 13.7 million in land development, Ps. 5.5 million in pens, Ps. 2.7 million in water channels and troughs, Ps. 1.9 million in systems for channelling and distributing water in the farms, Ps. 1 million in wire fencing), (iv) Ps. 5.3 million in improvements in third parties buildings, (v) Ps. 4.6 million in facilities, (vi) Ps. 1.6 million in machinery, (vii) Ps. 1 million in vehicles, (viii) Ps. 0.6 million in computer equipment, communications and softwares, (ix) Ps. 0.5 million in new pastures, (x) Ps. 0.5 million in furniture and fixtures and (xi) Ps. 0.4 million in equipment and tools.



***Fiscal Year Ended June 30, 2010***

For the fiscal year ended on June 30, 2010, our investments in the real estate business totaled Ps. 168.5 of which (i) Ps.156.5 million were related to acquisitions and improvements of fixed assets, mainly in connection with the acquisition of the Catalinas Norte plot of land (Ps.100.8 million), improvements in our Shopping Centers (Ps.32.5 million), completion of the Dot Baires Shopping and the construction of the adjacent office building (Ps.7.4 million), and improvements in our Sheraton Libertador, Llao Llao and Intercontinental hotels (Ps.1.8 million, Ps.1.2 million and Ps.0.8 million, respectively), and (ii) Ps.11.9 million were invested in the acquisition of undeveloped parcels of land, mainly the Zetol and Vista al Muelle plots of land. In addition, our main investments in the agricultural business during fiscal year 2010 were (i) Ps. 17.0 million for works in progress (including Ps. 11.6 million in land development, Ps. 2.5 million in wire fencing, Ps. 1.9 million in systems for channelling and distributing water in the farms, Ps. 2.9 million in water channels and troughs, Ps. 0.3 million in pens, Ps. 0.1 million in facilities and Ps. 0.1 million in improvements and refurbishment in farmhouses), (ii) Ps. 18.0 million in land development, Ps. 2.1 million in improvements (including Ps. 0.7 million in watering troughs, Ps. 0.5 million in constructions, Ps. 0.5 million in wire fences, Ps. 0.3 million in pens and Ps. 0.2 million in feedyards and watering troughs), Ps. 0.6 million in machinery, Ps. 0.8 million in vehicles, Ps. 1.6 million in new pastures, Ps. 0.6 million in construction, Ps. 1.2 million in facilities and Ps. 0.3 million in furniture and fixtures and computer equipment.

***Fiscal Year Ended June 30, 2009***

For the fiscal year ended June 30, 2009, our main 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 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.

**Recent Developments*****Land Ownership Law***

On December 22nd, 2011 the National Congress passed a new law in order to protect the ownership and the sovereignty of Argentina’s rural areas (the “Land Ownership Law”).

The Land Ownership Law sets forth limits to the ownership of rural lands for foreign individuals and companies (a “Foreign Person”), stating a maximum allowed ownership percentage for Foreign Persons of 20% of rural areas in Argentina.

Furthermore, only 30% of the abovementioned 20%, shall be held by Foreign Persons of the same nationality, and as of the enactment of the Land Ownership Law, no Foreign Person shall own more than 1,000 acres along Argentine’s territory. The Land Ownership Law states that it will not affect any right previously acquired by a Foreign Person.

For the purposes of Land Ownership Law the definition of Foreign Person includes argentine companies in which more than 51% of the ownership of outstanding capital stock is held by foreign individuals or foreign legal entities, or minor percentages if such entity reaches the proportions necessary to form the social will. In addition, it is also included in the definition of Foreign Person the following (among others): a) entities controlled by more than 25% by a foreign company (or whatever the interest) when such company has sufficient voting rights to form the corporate will of such company; b) companies which have issued convertible notes, which may allow a Foreign Person to exercise more than 25% of the voting power needed to form the corporate will; c) transfers to trusts whose beneficiaries are Foreign Persons on a percentage greater than 25%; d) joint ventures, partnerships, and any other type of legal entities present or that may exist in the future; and e) public foreign entities.

As of the date of this Annual Report the Land Ownership Law has not been yet regulated by the Executive Branch, therefore we cannot evaluate the final impact in our financial condition or results of operations.

### ***Payment of Cash Dividend***

Our Ordinary and Extraordinary Shareholders Meeting held on October 31, 2011, approved, ratification of the early dividend approved by the Board of Directors for the amount of Ps. 69.0 million, and payment of the amount of Ps. 63.8 million in cash.

### ***Global Note Program***

Our Ordinary and Extraordinary Shareholders Meeting held on October 31, 2011, approved to increase our Global Note Program for an additional amount of up to US\$ 150 million, raising the maximum amount of the Global Note Program to US\$ 300 million.

### ***Sale of farm San Pedro***

On September 28, 2011 BrasilAgro sold farm San Pedro, a rural property located in the Municipio Chapadão do Céu – GO with a total surface of 2,447 hectares, 1,724 hectares of which are used for agricultural purposes, for the equivalent in R\$ to 580,000 soybean seed bags. The sale is part of BrasilAgro business strategy, and seeks to derive both income from agricultural production and gains from the sale of real estate property.

The buyer made a down payment of R\$ 2,250 (or Ps. 5,030), equivalent to 50,000 soybean seed bags. The balance is to be paid in five installments; the first one is due on March 30, 2012 and amounts to 160,000 soybean bags, while the other four equal annual installments due on March 30 each year amount to 92,500 soybean bags each. The deal was priced at R\$ 26.1 million, generating a profit to approximate Ps. 40 million. The property was acquired in September 2006 and the total amount invested for acquisition and development purposes was R\$ 10.1 million.

***Purchase of IRSA's Shares***, On September 21, 2011 we announced the acquisition of 2,960,302 ADRs of IRSA equivalent to 5.1% of its outstanding capital stock, for a total amount of US\$ 30.1 million, therefore as of the date of this annual report our equity interest in IRSA is 63.22%.

***CRESUD's Series IV Notes Class VII***, On September 7, 2011, we issued Series IV Class VIII Notes, for a principal amount of US\$ 60 million due 2014, at a fixed rate of 7.5%, repayable semi-annually on September 7 and March 7 of each year, under our Global Note Program.

### ***Supertel Hospitality Inc.***

On November 16, 2011, IRSA reported that Real Estate Strategies L.P., an investment vehicle managed and indirectly wholly owned by us, had entered into a purchase agreement with Supertel Hospitality Inc., subject to Supertel's shareholders' approval and our approval to Supertel's debt restructuring.

Supertel is a Real Estate Investment Trust and its shares are listed and traded in NASDAQ under the symbol "SPPR". Supertel began its operations in the late 1970s and in 1994 completed its Initial Public Offering.

Currently Supertel focuses on midscale, economy and extended-stay segments of the hospitality Industry, owning 101 hotels across 23 states of the US. Its properties are operated by various third party management companies and their franchise agreements, including brands such as Comfort Inn, Days Inn, Hampton Inn, Holiday Inn Express, Sleep Inn and Super 8.

In case the conditions described above are met, Real Estate Strategies L.P. will invest US\$20 million in exchange of two million newly issued preferred shares of Supertel, which will also include an option to purchase, up to an additional one million preferred shares for a price of US\$10 per share.

The preferred shares will bear an annual 6.25% preferred dividend; vote with the common stock, subject to certain voting limitations, and subject to ownership limitations, will be convertible into common stock of Supertel at the rate of ten shares for each share of preferred stock for a period of 5 years.

As part of the Agreement, Real Estate Strategies L.P. will also receive warrants to purchase 20 million shares of common stock, which may be increased up to 30 million shares pro rata with Real Estate Strategies L.P.'s exercise of the option for additional preferred shares. Subject to ownership limitations, these warrants are exercisable at any time with an exercise price of US\$ 1.20 per share for a period of 5 years (with forced exercise under certain conditions after 3 years).

The transaction is anticipated to close within 90 days, subject to the fulfillment of the aforementioned precedent conditions in connection to the approval of Supertel shareholders', and to the investor company satisfaction with certain Supertel's debt restructuring.

### ***IRSA Dividend***

IRSA's ordinary and extraordinary Shareholder Meeting held on October 31, 2011 approved a cash dividend of Ps. 211,575,000, and allocate the remaining balance to the "Free Availability Reserve" account. On November 10, 2011, IRSA's Board of Directors approved the payment of such dividends.

***Sale of a plot of land***

On October 26, 2011, IRSA reported the sale of a plot of land of approximately 8 hectares, located in Thames St. N° 1868, (between Alberto Laritigau St. and Ramón Falcón St.), in the city of San Justo, Province of Buenos Aires, Argentina.

The purchase price was US\$ 4,7 million, which was paid on October, 25, 2011. The book value of the plot of land as of June 30, 2011 was US\$ 0.9 million.

***Hotel Esplendor Savoy - City of Rosario***

On December 13, 2011, IRSA reported that it had indirectly acquired 49% of the share capital stock of Bitania 26 S.A., a corporation which owns the hotel "Esplendor Savoy" in the city of Rosario. The purchase price was set up at Ps. 21.4 million.

***Sale of a lot to GENSAR S.A.***

On September 22, 2011, APSA through its subsidiary Shopping Neuquén Sociedad Anónima agreed to assign, sell and transfer to GENSAR S.A. a lot designated as Lot H with all the fixtures, buildings, and improvements bound to the soil. This lot is part of the property facing Doctor Ramon St. and the National Road N° 7, located in the City of Neuquén, Province of Neuquén, Argentina, Department of Confluencia, First section, with a total area of 14,792 meters and 68 square decimeters. The purchase price was US\$ 0.4 million, which was paid in cash.

The property would be transferred on the condition that the buyer utilized it to construct and operate a supermarket at its own cost and expense, in accordance with the terms and conditions agreed upon with Neuquén Municipality.

***La Ribera Shopping – Santa Fe***

On August 18, 2011, IRSA fulfilled the conditions of the transaction reported by Form 6-K, dated as of June 27, 2011. In that opportunity IRSA reported that it had conditionally acquired from Boldt S.A. and Iverama S.L., fifty percent of the shares of Nuevo Puerto Santa Fe S.A., a corporation that leases a building in which was built and operates a shopping center of approximately 8,000 leasable square meters, located at the Santa Fe City's Port, Santa Fe Province and a sub-licensee as from the date hereof.

Finally IRSA informed that the transaction has been approved by the Administrative Entity of Puerto Santa Fe, regarding the modification of the shareholding structure of NPSF, and has not been opposed by Santa Fe Lottery Social Welfare Found "Caja de Previsión Social Lotería Santa Fe".

Consequently, NPSF is constituted 50% by IRSA and the remaining 50% by GRAINCO SA.

### ***Conversion of Alto Palermo's Convertible Notes***

On September 22, 2011, APSA reported that one holder of their convertible notes exercised its conversion rights. Therefore, APSA issued 277,777 common shares, of nominal value pesos 0.1 (V\$N 0.1) each, and canceled convertible notes for an amount of US\$ 9,000.

As a result of the conversion, APSA capital stock increased from Ps. 125,960,841.1 to Ps. 125,988,618.8 and the amount of APSA outstanding shares increased from 1,259,608,411 to 1,259,886,188. On the other hand, the amount of convertible notes outstanding as a consequence of this conversion decreased to US\$ 31,746,502. APSA also reported that the conversions were performed in accordance with the terms and conditions established in the prospectus of issuance of the convertible notes and at the conversion rate of 30.864 shares, nominal value pesos 0.10, per Convertible Note of nominal value US\$ 1.

## **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, as well as in other Latin American countries. We are currently involved in several activities including crop production, beef cattle production and milk production. Our business model focuses on the acquisition, development and exploitation of agricultural properties having attractive prospects for agricultural production and/or value appreciation and the selective sale of such properties where appreciation has been realized. Our shares are listed on the Buenos Aires Stock Exchange ("BCBA") and our ADSs are listed on the NASDAQ stock market.

We are also 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 September 30, 2011, we held a 63.22% interest in IRSA.

During the fiscal years ended June 30, 2010 and 2011, we had consolidated sales of Ps.1,664.6 million and Ps. 2,133.8 million, production income of Ps.217.7 million and Ps.406.8 million and consolidated net income of Ps.185.4 million and Ps.212.6 million, respectively. During the fiscal years ended June 30, 2010 and June 30, 2011, our total consolidated assets increased 42.35% from Ps.6,837.9 million to Ps.9,733.4 million, and our consolidated shareholders' equity increased 12.5% from Ps.1,968.2 million to Ps.2,213.5 million.

### ***Agricultural Business***

As of June 30, 2011, we owned 26 farms with approximately 474,186 hectares (not including BrasilAgro). Approximately 47,946 hectares of the land we own are used for crop production, approximately 89,644 hectares are for beef cattle production, 100,911 hectares are for sheep production, 2,571 hectares are for milk production and approximately 2,712 hectares are leased from third parties for crop and cattle beef production. The remaining 230,402 hectares of land reserve are primarily natural woodlands. In addition, we have the rights to hold approximately 132,000 hectares of land under concession for a 35-year period that can be extended for another 29 years. Also, during

fiscal year 2011 ended on June 30, 2011, we leased 52,205 hectares from third parties for crop production and 12,635 hectares for beef cattle production.

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

	<b>Land Use <sup>(11)</sup></b>				
	<b>Fiscal Year ended June 30,</b>				
	<b>2007</b>	<b>2008</b>	<b>2009</b>	<b>2010</b>	<b>2011</b>
	(1) (6)	(1) (6) (7)	(1) (6) (7) (8) <i>(in hectares)</i>	(1) (6) (7) (8)	(1) (6) (7) (8) (9) (10)(12)
Crops <sup>(2)</sup>	53,579	63,900	115,411	104,627	126,178
Beef Cattle <sup>(3)</sup>	114,097	123,935	128,859	105,857	102,279
Milk	2,609	4,320	4,334	4,900	2,571
Sheep	90,000	90,000	100,911	100,911	100,911
Natural woodlands <sup>(4)</sup>	393,677	383,573	356,796	343,153	339,744
Owned farmlands leased to others	13,771	8,467	8,317	11,049	14,026
<b>Total <sup>(5)</sup></b>	<b>667,733</b>	<b>674,195</b>	<b>714,628</b>	<b>670,497</b>	<b>685,709</b>

(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) As of June 30, 2007, 25,307 hectares were leased for agricultural production and 29,208 hectares were leased for beef cattle production. As of June 30, 2008, 30,449 hectares were leased for agricultural production and 32,895 were leased for beef cattle production. As of June 30, 2009, 59,615 hectares were leased for agricultural production and 32,795 were leased for beef cattle production. As of June 30, 2010, 42,696 hectares were leased for agricultural production and 12,635 for beef cattle production. As of June 30, 2011, 52,205 hectares were leased for agricultural production and 12,635 hectares were leased for beef cattle production.

(6) 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.

(7) Does not include 4,974 hectares of "Los Pozos" farm and the 2,430 hectares of "La Esmeralda" farm, which were sold during the fiscal year 2008.

(8) 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 45,578 hectares of "Jerovia" farm located in the District of Boquerón, Paraguay, owned by Cresca S.A. Does not include 1,658 hectares of "Los Pozos" farm sold in April 2009. Does not include 30,000 hectares which were returned due to the reduction in the concession scope established by Executive Branch Decree No. 3766 of the Executive Branch of Salta. Includes 80% of the 170 hectares owned by Cactus Argentina S.A. Does not include the income of the 1,829 hectares of El Recreo.



(9) Does not include 12,701 hectares of “Tali Sumaj” farm, sold on December 17, 2009.

(10) Includes 5,000 hectares of “La Primavera” and “4 Vientos” farms, located in Santa Cruz de la Sierra, Bolivia and 943 hectares of Establecimiento Mendoza.

(11) Does not include BrasilAgro.

(12) Does not include 4,302 hectares of “La Juanita”, sold in September 3, 2010.

In September 2005, we, together with other Brazilian partners, founded BrasilAgro, a company organized to exploit opportunities in the Brazilian agricultural sector. In April 2006, BrasilAgro increased its capital through a global and domestic offering of common shares, and as of June 30, 2011, we owned 35.75% of the outstanding common shares of BrasilAgro. Through this company we control 9 farms, extending over a total surface area of 172,050 hectares allocated to the production of sugar cane, corn, soybean and timber.

## 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.

In March 2008 we concluded our capital increase of 180 million common shares. As a result, 180 million shares offered at the subscription price of US\$ 1.60 or Ps.5.0528 per share were fully subscribed, both locally and internationally, increasing our outstanding capital to 500,774,772 common shares.

As of September 30, 2011, we had invested approximately Ps.959.8 million to acquire 63.22% of the outstanding common shares of IRSA. Between December 2007 and September 30, 2011, we acquired 166,442,937 shares of IRSA, increasing our interest to 63.22% at the closing of fiscal year 2011. As from October 1, 2008, We present our financial statements in consolidated form with IRSA's.

## 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) preserving the value of our significant long-term investment in the urban real estate sector through our affiliate IRSA.

### Focus on maximizing value of our agricultural real estate assets

We conduct our agricultural activities with a focus on maximizing the value of our 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 the final stage of the real estate development cycle by transforming rural

properties into urban areas as the boundaries of urban development continue to extend into rural areas. To do so, we generally focus on acquisitions of properties outside developed agricultural regions and/or properties that we believe will increase in value due to their proximity to existing or expected infrastructure.

- *Applying modern technologies to enhance operating yields and property values.* We believe there is an opportunity to improve the productivity and long-term value of inexpensive and/or underdeveloped land by investing in modern technologies, such as genetically modified and high-yield seeds, direct sowing techniques, machinery, crop yield optimization through land rotation, irrigation and the use of fertilizers and agrochemicals. To enhance our cattle production, we use genetic technology and have a strict animal health plan, controlled periodically through traceability systems. In addition, we have introduced a feedlot to optimize our beef cattle management and modern milking technologies in our 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, 2011, BrasilAgro had 9 properties totaling 172,050 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, we entered into a number of agreements to formalize its positioning in South American countries. At June 30, 2011, we owned 16,255 hectares located in the Republic of Bolivia, and 50% of 45,578 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 modern 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.
- 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 (“Tyson Foods”) (through its controlled subsidiary Provemex Holdings LLC), 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 modern technology and advanced feeding and techniques relating to animal health. For example, in May 2007, we opened one of the most advanced dairy production facilities in Argentina, achieving a daily output of more than 40,000 liters of milk.

### *Increased production.*

Our goal is to increase our crop, beef cattle and milk production in order to achieve economies of scale by:

- Increasing the land we own 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 Junr 30, 2011, we owned 229,457 hectares of land reserves and held approximately 110,285 hectares under concession located in under-utilized areas where agricultural and livestock production has not fully developed yet. We believe that technological tools are available to improve the productivity of such land and enhance its long-term value. However, current or future environmental regulations could prevent us from fully developing our land reserves by demanding us to maintain part of those lands as natural woodlands not dedicated to production.

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

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

**Focus on preserving long-term value of our investment in our real estate subsidiary IRSA**

We seek to maintain the long-term value of our significant investment in the urban real estate sector through IRSA. We believe that IRSA is an effective vehicle 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 attractive prospects for future growth and profitability.

- Shopping centers. We believe that the Argentine shopping center sector offers attractive prospects for long-term growth due to, among other factors, a continuing evolution of consumer preferences in favor of shopping malls (away from small neighborhood shops) and a low level of shopping center penetration compared to many developed countries. Our main objectives are to generate sustained cash flow growth from our shopping centers and increase their value in the long-term, while maintaining a leading position in Argentina's shopping center industry by developing new shopping centers in urban areas with attractive prospects for growth, including the Buenos Aires' Metropolitan area, Argentine provinces and elsewhere in Latin America.

- Development and sale of properties. We seek to purchase undeveloped properties in densely-populated areas and build apartment complexes offering green space for recreational activities. We also seek to develop residential communities by acquiring undeveloped properties with convenient access to Buenos Aires, developing roads and other basic infrastructure such as power and water, and then selling lots for the construction of residential units. After the Argentine economic crisis in 2001 and 2002, the scarcity of mortgage financing restricted the growth in middle class home purchases and, as a result, we mainly focused on the development of residential communities for middle and high-income individuals, who do not need to finance their home purchases. In addition, we seek to develop residential properties for other segments of the residential market in Argentina and during the first quarter of the 2000 fiscal year, we entered into a partnership with Cyrela Empreendimentos e Participações, a leading Brazilian residential real estate developer, to penetrate new market segments.

- Office and other non- shopping center properties. Since the Argentine economic crisis in 2001 and 2002, there have been limited investments in high-quality office buildings in Buenos Aires and, as a result, we believe there is currently substantial demand for more desirable office spaces. We seek to purchase and develop premium office buildings in strategically-located business districts in Buenos Aires and other strategic locations that we believe offer attractive returns and potential for long-term capital gain. We expect to continue our focus on attracting premium corporate tenants to our office buildings. Furthermore, we intend to selectively consider new opportunities to acquire or construct new rental office buildings.
- Hotel operations. We believe our portfolio of three luxury hotels is positioned to take advantage of the future growth in tourism and business travel in Argentina. We seek to continue with our strategy to invest in high-quality properties that are operated by leading international hotel companies to capitalize on their operating experience and international reputation. We also seek to continue to invest in improvements for our hotels, such as the opening of 43 new suites at Hotel Llao Llao in Bariloche, in order to maintain a high level of service in this competitive sector.
- Banco Hipotecario. Banco Hipotecario is a full-service commercial bank offering a wide variety of banking activities and related financial services to individuals, small- and medium-sized companies and large corporations. Among these services, Banco Hipotecario stands out as a leader in mortgage loans in Argentina. Since 1999, Banco Hipotecario's shares have been listed on the Buenos Aires Stock Exchange, and since 2006 it has obtained the Level 1 ADR program from the Bank of New York. We currently seek to keep our investment in Banco Hipotecario, as we believe that Argentina has a low level of mortgages outstanding measured in terms of GDP.
- Land reserves. We seek to continue to acquire undeveloped land at locations we consider attractive within and outside Buenos Aires. In each case, our intention is to purchase land with significant development or appreciation potential to resell. We believe that holding a portfolio of desirable undeveloped plots of land enhances our ability to make strategic long-term investments and affords us a valuable pipeline of new development projects for upcoming years.
- International. In the past, we have 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. We have acquired a 30% interest in a company incorporated in Delaware (United States), whose main asset is the so-called "Lipstick" office building located in the City of New York, and more recently, we acquired a 9.2% interest, jointly with subsidiaries, in a Real Estate Investment Trust, called Hersha (NYSE: HT), which holds a controlling interest in 78 hotels in the United States, totaling around 10,443 rooms as of June 30, 2011. We seek to continue to evaluate on a selective basis real estate investment opportunities outside Argentina as long as they offer investment and development attractive opportunities.

### **Our Principal Agricultural Business Activities**

During the fiscal year ended June 30, 2011, we conducted our operations on 26 owned farms and 71 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:

#### **Production of Primary Agricultural Products<sup>(5)</sup> Fiscal Year ended June 30,**

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	2007 <sup>(1)</sup>	2008 <sup>(1)</sup>	2009 <sup>(1)</sup>	2010 <sup>(1)</sup>	2011 <sup>(1)</sup>
Crops <sup>(2)</sup>	175,455	198,146	237,031	322,616	466,910
Beef Cattle <sup>(3)</sup>	9,913	8,786	7,112	3,153	6,519
Milk <sup>(4)</sup>	16,663	20,825	20,898	21,690	19,605

(1) Does not include production from AgroUranga 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.

(5) Does not include BrasilAgro.

### ***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.

<b>Product</b>	<b>Stock as of</b>	<b>Fiscal Year 2011</b>	<b>Fiscal Year 2011</b>	<b>Stock as of</b>
	<b>06/30/2010 (1)</b>	<b>Production (1)</b>	<b>Sales (1)</b>	<b>06/30/2011 (1)</b>
	<b>In tons</b>	<b>In tons</b>	<b>In tons</b>	<b>In tons</b>
Wheat	5,466	16,386	21,045	4,259
Corn	40,034	171,614	155,218	45,691
Sunflower	1,086	13,512	7,399	7,151
Soybean	40,501	153,729	94,073	56,707

(1) Does not include BrasilAgro.

	<b>Sown Land for Crop Production <sup>(1)(3)</sup></b>				
	<b>Fiscal Year ended June 30,</b>				
	<b>2007<sup>(2)</sup></b>	<b>2008<sup>(2)</sup></b>	<b>2009<sup>(2)</sup></b>	<b>2010<sup>(2)</sup></b>	<b>2011</b>
	<i>(In hectares)</i>				
Owned	22,712	25,379	43,193	47,448	59,122
Leased	25,307	30,449	59,615	42,696	52,205
Under concession	1,225	3,811	8,067	10,816	10,401
<b>Total</b>	<b>49,244</b>	<b>59,639</b>	<b>110,875</b>	<b>100,960</b>	<b>121,728</b>

(1) Sown land may differ from that indicated under "Uses of Land", since some hectares are sown twice in the same season and therefore are counted twice.

- (2) Includes hectares from Agropecuaria Anta, merged with us on July 1, 2010.
- (3) Does not include BrasilAgro or Agro-Uranga S.A.



The following table shows the hectares sown and tons harvested for the fiscal years indicated below:

	Fiscal year ended on June 30			
	2010 <sup>(1)</sup>		2011 <sup>(1)</sup>	
	Hectares sown (3)	Production <sup>(2)</sup>	Hectares sown (3)	Production <sup>(2)</sup>
Wheat	4,109	11,636	9,419	16,386
Corn	28,128	127,060	48,802	171,614
Sunflower	6,993	7,641	7,833	13,512
Soybean	55,460	126,956	60,928	154,008
Other	6,270	49,323	15,828	111,390
<b>Total</b>	<b>100,960</b>	<b>322,616</b>	<b>142,810</b>	<b>466,910</b>

(1) Does not include hectares from AgroUranga S.A. or BrasilAgro.

(2) Production measured in tons.

(3) Corporate data.

As of June 30, 2011, our crop stocks consisted in 4,259 tons of wheat, 45,691 tons of corn, 56,707 tons of soybean, 3,114 tons of sorghum and 7,151 tons of sunflower; whereas as of June 30, 2010 such stocks consisted in 5,466 tons of wheat, 40,034 tons of corn, 40,501 tons of soybean, 3,074 of sorghum and 1,083 tons of sunflower. In the season ended on June 30, 2011, the surface area 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 mostly 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 increase our scale in the short term and reduce the risk of inclement weather. The disadvantage of this strategy is that the cost of leasing can increase over time, in part, because increased demand for leased land increases the price of leased land.

In order to increase our production yields, we use, besides state-of-the-art technology, labor control methods which imply the supervision of the seeding’s quality (density, fertilization, distribution, and depth), crop monitoring

(determination of natural losses and losses caused by harvester) and verification of bagged crop quality. In this way, we work jointly with our suppliers to achieve the best management of inputs, water and soil.

Wheat seeding takes place from June to August, and harvesting takes place from December to January. Corn, soybean and sunflower are sown from September to December and are harvested from February to June. Grains are available to be sold as commodities after the harvest from December to June and we usually store part of our production until prices recover after the drop that normally takes place during the harvesting season. A major part of production, especially 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. 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.

### ***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 of June 2011, our beef cattle aggregated 73,127 heads, and we had a total surface area of 89,644 hectares dedicated to this business activity.

During the fiscal year ended June 30, 2011, our beef cattle activities generated sales of Ps.50.9 million, representing 9% of our consolidated sales from the agribusiness segment, and our production was 6,519 tons, an increase of 106.8% compared to the previous fiscal year.

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

	<b>Fiscal Year ended June 30,</b>				
	<b>2007<sup>(1)</sup></b>	<b>2008<sup>(1)</sup></b>	<b>2009<sup>(1)</sup></b>	<b>2010<sup>(1)</sup></b>	<b>2011<sup>(1)</sup></b>
	<i>(in tons)</i>				
Beef cattle production <sup>(2)</sup>	9,913	8,786	7,112	3,153	6,519

(1) Does not include production from AgroUranga 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 San Luis 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.

Our cattle breeding activities are carried out with breeding cows and bulls and our fattening activities apply to steer, heifers and calves. Breeding cows calve approximately once a year and their productive lifespan is from six to seven years. Six months after birth, calves are weaned and transferred to fattening pastures. Acquired cattle are directly submitted to the fattening process. 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 kg and 280–295 kg, respectively, depending on the breed.

Pregnancy levels, which have been improving over the years, showed satisfactory levels of efficiency notwithstanding the adverse weather conditions. Genetics and herd management is expected to further improve pregnancy levels in the coming years. Reproductive indicators improved due to the implementation of technologies, which have included handling techniques and females artificial insemination with cattle genetics especially selected for the stock which is purchased from specialized companies in quality semen elaboration for meat production. We use veterinarian products manufactured by leading national and international laboratories. It is important to emphasize the work of a veterinarian advising committee, who are external to us and visit each establishment monthly to control and agree tasks.

Currently, the 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.

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

**Heads of Beef Cattle <sup>(1)</sup>**  
**Fiscal Year ended June 30,**

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	2007 <sup>(2)</sup>	2008 <sup>(2)</sup>	2009 <sup>(2)</sup>	2010 <sup>(2)</sup>	2011 <sup>(2)</sup>
Breeding	62,181	57,999	59,283	61,859	50,430
Fattening	21,546	22,359	28,520	9,379	22,697
Total	<b>83,727</b>	<b>80,358</b>	<b>87,803</b>	<b>71,238</b>	<b>73,127</b>

(1) For classification purposes, upon birth, all calves are considered to be in the breeding process.

(2) Does not include heads of beef cattle from AgroUranga S.A.

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

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

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

### ***Milk Production***

As of June 30, 2011 we conducted our milk business in the dairy facility located in “El Tigre” farm. We have a capacity of 2,600 cows in milking per day and seek to increase total productivity through the application of new technologies including improved genetic management for milk production, feeding strategic planning based on cattle specific requirements and the use of individual traceability to know the productivity history of each animal. Also we use computer science in milk business to make more efficient the manual labor by surveying the information supplied by the farm.

Within the process of de-commoditization and technological innovation, we implemented an identification and tracing system in compliance with European and SENASA standards. We also obtained Global Gap and HCCP certification. Our goal in this respect is to distinguish our production and obtain higher prices in production sales.

Our milk production is based on a herd of Holando Argentina dairy cows, genetically selected through the use of imported frozen semen of North American Holando bulls. Male calves are sold, at calving, for a given amount per head, whereas female calves are weaned after 24 hours, spend approximately 60 days in raising and approximately 100 days being fed on the basis of grass, grains and supplements. Young heifers then graze for an additional 12 to 15 month period, prior to artificial insemination at the age of 18 to 20 months and they calve nine months later. Heifers are subsequently milked for an average of 300 days. Milking dairy cows are once again inseminated during the 60 to 90 day subsequent period. This process is repeated once a year during six or seven years. The pregnancy rate for our dairy cows is 80-90%.



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Our dairy herd is milked mechanically twice a day. The milk obtained is cooled to less than five degrees centigrade to preserve quality and is then stored in a tank for delivery once a day to trucks sent by buyers. Dairy cows are fed mainly with grass, supplemented as needed with grains, hay and silage. We have invested in certain technologies that focus on genetic improvement, animal health and feeding in order to improve our milk production. These investments include imports of top quality frozen semen from genetically improved North American Holstein bulls, agricultural machinery and devices such as feed-mixer trucks, use of dietary supplements and the installation of modern equipment to control milk cooling. We are currently acquiring dietary supplements for our dairy cows and have made investments with the aim of increasing the quantity and quality of forage (pasture, alfalfa and corn silage) in order to reduce feeding costs.

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

	<b>Milk Production</b>				
	<b>Fiscal Year ended June 30,</b>				
	<b>2007<sup>(1)</sup></b>	<b>2008<sup>(1)</sup></b>	<b>2009<sup>(1)</sup></b>	<b>2010<sup>(1)</sup></b>	<b>2011<sup>(1)</sup></b>
Average dairy cows	2,677	3,174	3,286	3,297	2,816
Dairy production (daily liters per cow)	17.1	18.0	17.4	18.0	19.1
Total production (thousands of liters)	16,663	20,825	20,898	21,690	19,605

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

At the closing of fiscal year 2010, we had 8,250 heads of cattle on 4,637 hectares involved in the production of milk. As of June 30, 2011, we had 6,385 heads of cattle on 2,571 hectares to milk production.

### ***Land Acquisitions***

We intend to increase our farmland portfolio by acquiring large surfaces of land with high appreciation or production 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 land 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.

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 was paid by us upon execution of the title deed.

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

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

On July 28, 2008, we signed a bill of purchase for 883 and 2,969 hectares of "San Cayetano" and "San Rafael" farms, respectively, located in the Province of Guarayos, Republic of Bolivia. The transaction was agreed for a price of US\$ 8.8 million, which has been fully paid as of June 30, 2011.

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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, which has been fully paid as of June 30, 2011.

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

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

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

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

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

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

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

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



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2009 <sup>(7)</sup>	7	133.2
2010 <sup>(8)</sup>	-	5.0
2011 <sup>(9)</sup>	3	61.5

(1) Includes the acquisition of “Ñacurutú,” “Tapenagá,” “Santa Bárbara” and “La Gramilla,” “La Sofia,” “La Suiza,” “La Esmeralda” and “Tourné” farms of 30,350 hectares, 27,312 hectares, 7,052 hectares, 1,223 hectares, 41,993 hectares, 11,841 hectares and 19,614 hectares, respectively. It also includes the acquisition of “Las Vertientes” which is a silo plant.

(2) Includes the acquisition of “El Tigre” farm of 8,360 hectares.

(3) Includes the acquisition of “La Adela” and “El Invierno” farms of 72 hectares and 1,946 hectares, respectively.

(4) Includes the acquisition of “San Pedro” farm of 6,022 hectares.

(5) Includes the acquisition of “8 de Julio” farm of 90,000 hectares.

(6) Includes the acquisition of the remaining 25% of “La Adela” farm of 18 hectares and 80% of “La Esperanza” farm of 980 hectares.

(7) Includes the acquisition of "Estancia Carmen", "Puertas de Luján", "Las Londras", "San Cayetano", "San Rafael", and "La Fon Fon" farms and 50% of "Jerovia" farm, of 10,911, 115, 4,566, 883, 2,969, 3,748 and 20,966 hectares, respectively.

(8) Includes exercise of the option over 50% of the “Jerovía” farm of 3,646 hectares.

(9) Includes the acquisition of “La Primavera” and “4 Vientos” farms of 2,341 hectares and 2,659 hectares, respectively.

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

**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.

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

<b>Fiscal Year</b>	<b>Number of Farmlands</b>	<b>Gross Proceeds from Sales</b>	<b>Profit/ (Loss) (1)</b>
		<b>(Ps. million)</b>	<b>(Ps. million )</b>
1998 <sup>(2)</sup>	1	6.8	4.1
1999 <sup>(3)</sup>	2	27.8	9.4
2000	-	-	-
2001 <sup>(4)</sup>	2	9.0	3.0
2002 <sup>(5)</sup>	3	40.6	14.8
2003 <sup>(6)</sup>	2	12.0	4.9
2004 <sup>(7)</sup>	2	4.1	1.7
2005 <sup>(8)</sup>	2	29.8	20.0
2006 <sup>(9)</sup>	1	16.1	9.9
2007 <sup>(10)</sup>	3	29.9	22.3
2008 <sup>(11)</sup>	2	23.0	20.0
2009 <sup>(12)</sup>	2	2.0	1.9
2010 <sup>(13)</sup>	1	18.6	13.7
2011 <sup>(14)</sup>	2	84,5	54,6

- (1) Includes the difference between the gross proceeds from sales (net of all taxes and commissions) and the book value of the assets sold.
- (2) Includes the sale of 7,878 hectares of “Moroti” and “Santa Rita” 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 “Tapienagá” 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.
- (13) Includes the sale of 12,071 hectares of “Tali Sumaj”.

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

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).

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.

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

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

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

In June, 2011, the sale of a parcel of land with a surface area of 910 hectares was been agreed upon. This parcel of land is allocated to agriculture and its total agreed amount was US\$ 3.64 million, equivalent to US\$ 4,000 per hectare, which had been purchased in 2008 for a price of US\$ 2,300 per hectare. From the total sale amount, 27.5% has been collected, whereas the balance, i.e., 72.5%, is payable in 5 semi-annual consecutive installments, the last of which matures in December 2013.

**Farms**

As of June 30, 2011, we owned, together with our subsidiaries, 35 farms, with a total surface area of 646,237 hectares.

The following table sets forth our farm portfolio as of June 30, 2011:

**Use of Farms Owned and under Concession as of June 30, 2011**

	Locality	Province	Date of Acquisition	Gross Size (in hectares)	Main Business	Beef Cattle (hectares)	Sheep (hectares)	Milk (hectares)	Agriculture (hectares)
LA ADELA	Lujan	Buenos Aires	Original	1,054	Agriculture Natural	37			820
EL RECREO	Recreo	Catamarca	May '95	12,395	Woodlands Beef Cattle/				
LOS POZOS	JV González	Salta	May '95	240,858	Agriculture/ Natural				
SAN NICOLAS (1)	Rosario	Santa Fe	May '97	1,431	Woodlands Agriculture	50,000			6,222
LAS PLAYAS (1)	Idiazabal	Cordoba	May '97	1,534	Agriculture/ Milk under			311	1,223
LA GRAMILLA/ SANTA BARBARA	Merlo	San Luis	Nov. '97	7,052	irrigation Agriculture				2,649
LA SUIZA	Villa Angela	Chaco	Jun. '98	41,993	Beef cattle Agriculture	37,673			3,937
LA ESMERALDA (5)	Ceres	Santa Fe	Jun. '98	9,370	Beef cattle Agriculture	1,764			6,046
EL TIGRE	Trenel	La Pampa	Apr. '03	8,365	Milk			2,260	5,187
EL INVIERNO	Rancul	La Pampa	Jun. '05	1,946	Agriculture				1,844
SAN PEDRO 8 DE JULIO/ ESTANCIA CARMEN CACTUS ARGENTINA	Concepción de Uruguay	Entre Rios	Sep. '05	6,022	Agriculture				4,948
	Puerto Deseado	Santa Cruz	May. '07/ Sep. '08	100,911	Sheep		100,911		
	Villa Mercedes Las	San Luis	Dec. '97	170	Feedlot	170			
LAS VERTIENTES	Vertientes	Cordoba	Mar. '98	4	Silo				
LA ESPERANZA	Rancul	La Pampa	Mar. '08	980	Agriculture				334
PUERTAS DE LUJAN	Lujan	Buenos Aires	Dic. '08	115	Other				
LAS LONDRAS/SAN CAYETANO/SAN RAFAEL/LA FON FON/ LA	Santa Cruz	Bolivia	Jan. '09/ Nov. '08/ Jun. '11	16,255	Agriculture				11,522

PRIMAVERA/  
CUATRO VIENTOS

					Agriculture/ Natural				
JEROVIA (2)	Mariscal Estigarribia	Paraguay	Feb. 09	22,789	Woodlands				2,620
ESTABLECIMIENTO	Lujan de								
MENDOZA	Cuyo	Mendoza	Mar. 11	943					
BRASILAGRO (4)	Brazil			172,050					
SUBTOTAL OWN				646,237		89,644	100,911	2,571	48,789
CONCESSION IN									
SALTA (3)	Las Lajitas	Salta	-	132,000					10,401
SUBTOTAL									
CONCESSION				132,000					10,401
TOTAL				778,237		89,644	100,911	2,571	59,190

- (1) Hectares in proportion to our 35.723% interest in Agro-Uranga S.A.  
(2) Hectares in proportion to our 50.0% interest in Cresca S.A. through Agrology S.A  
(3) Hectares under concession. Includes 11,314 hectares operated by third parties.  
(4) See breakdown under “*International Expansion – “BrasilAgro Companhia Brasileira de Propiedades Agrícolas”*”.

*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 it is currently used for crop production. During the fiscal year ended June 30, 2010, 1,086 hectares were used for wheat, corn and soybean crops for high-yielding grain production. Between March 2005 and December 2007 we purchased an additional 72 hectares which were added to the existing 982 hectares.

*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 entered into a promise agreement to sell 1,800 hectares of “El Recreo” farm. The purchase price agreed was US\$0.15 million. We have received an advance payment of US\$0.05 million.

On January 19, 2007, we entered into a promise agreement to sell 50 hectares of “El Recreo” farm, which is a co-ownership by us and Arcor Sociedad Anónima Industrial y Comercial. The purchase price agreed was Ps.0.7 million, which has been fully paid.

On July 24, 2008, we signed the deed of sale for two parcels in “El Recreo” farm (1,829 hectares) located in the Province of Catamarca. The purchase price agreed was US\$0.36 million, which has been paid in full.

*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 for 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, 2010, we used 3,231 hectares in agricultural production. We completed the development of tropical pastures in approximately 50,000 hectares. As of June 30, 2010, there were 52,263 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 332 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 price was US\$1.1 million, which has been fully paid. 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 issuance of our financial statements.

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*San Nicolás.* “San Nicolás” is a 4,005 hectares farm owned by AgroUranga S.A., and is located in the Province of Santa Fe, approximately 45 kilometers from the Port of Rosario. As of June 30, 2010, approximately 6,458 hectares were in use for agricultural production, including double crops. The farm has two silos with storage capacity of 14,950 tons.

*Las Playas.* “Las Playas” farm has a surface of 4,294 hectares and is owned by AgroUranga S.A. Located in the Province of Córdoba, it is used primarily for agricultural and milk production purposes. As of June 30, 2010, the farm had 736 hectares of pasture used for milk production and a sown surface area, including double crops, of 3,804 hectares for grain production.

*La Gramilla and Santa Bárbara.* These farms have an aggregate surface 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 2009/2010 farm season, a total of 2,428 hectares were sown, 625 hectares of which sown under contractual arrangement with seed producers, and we leased, in turn, 1,967 hectares to third parties. The remaining hectares are used as land reserves.

*La Suiza.* “La Suiza” farm has a surface 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, 2010, “La Suiza” had a stock of approximately 14,275 heads of cattle. During the 2009/10 season, we used 2,917 hectares for growing cotton, corn, soybean and sorghum.

*La Esmeralda.* “La Esmeralda” farm has a surface of 9,370 hectares and is located in Ceres in the Province of Santa Fe. This farm, acquired in June 1998, has potential for agricultural production and cattle raising. During the 2009/2010 farm season, we used a total area of 5,295 hectares, including double crops, for production of corn, sunflower and sorghum. As of June 30, 2010, “La Esmeralda” had 3,926 heads of cattle on 4,027 hectares. Our objective is to enhance its cattle raising efficiency, maintaining the bull breeding business, and increase its surface use in agriculture activities. On December 27, 2007, we agreed to sell to Estancias San Bruno S.A. and Estancias El Algarrobo S.A. a 2,430-hectare portion of this farm. The sales price agreed was US\$6.2 million that has been collected in full. The sale generated a gain of approximately US\$5.3 million.

*El Tigre.* “El Tigre” farm was acquired on April 30, 2003 and has a surface of 8,365 hectares. It is located in Trenel in the Province of La Pampa. As of June 30, 2010, 4,985 hectares were used for crop production. This farm produced 12.6 million liters of milk in the fiscal year ended June 30, 2010, with an average of 1,654 cows being milked and an average daily production of 18.5 liters per cow.

*El Invierno.* “El Invierno” farm was acquired on June 24, 2005 and has a surface of 1,946 hectares. It is located in Rancul in the Province of La Pampa, 621 kilometers west of Buenos Aires. During the fiscal year ended June 30, 2010, we used the land exclusively for crop production and planted 2,124 hectares, including double crops.

*San Pedro.* “San Pedro” farm was purchased on September 1, 2005. It has a surface 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 2009/2010 farm season, 4,999 hectares were used for agricultural production, including double crops, and 1,143 hectares were leased to third parties for livestock activities.

*8 de Julio and Estancia Carmen.* “8 de Julio” farm was acquired on May 15, 2007 and has a surface of 90,000 hectares. It is located in the department of Deseado in the Province of Santa Cruz. Due to its large surface, 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 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, 2010, these farms had a stock of 11,093 sheep.

*Cactus.* The feedlot has a surface of 170 hectares and is owned by Cactus. It is located in Villa Mercedes, Province of San Luis. Cactus is 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.* “Las Vertientes” storage facility has a surface of 4 hectares and 10,000 tons capacity, and it is located in Las Vertientes, Río Cuarto, in the Province of Córdoba.

*La Esperanza.* On April 22 and 23, 2008, we signed title deeds for the purchase of 80% of the 980 hectares of “La Esperanza” farm located in the Province of La Pampa. The purchase price agreed was US\$1.3 million that has been paid in full. During the fiscal year ended June 30, 2010, we used this farm solely for crop production.

*Puertas de Luján.* On May 30, 2008, IRSA entered 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 purchase price agreed was US\$3.0 million, of which the amount of US\$1.2 million was paid on the date of the execution of the bill of purchase and the balance shall be paid upon the execution of the title deed.

On December 13, 2008, the company was formally recognized as Principal of the transaction.

*Las Londras.* On January 22, 2009, we executed the title deed for the acquisition of the “Las Londras” farm; it has a surface of 4,566 hectares, and is located in the Province of Guarayos, Republic of Bolivia. During the 2009/2010 farm season it was used for crop production.

*San Cayetano.* On November 19, 2008, we executed the title deed for the acquisition of the “San Cayetano” farm. This farm is located in the Province of Guarayos, Republic of Bolivia, and has a surface of 883 hectares, which were used for crop production during the 2009/2010 farm season.

*San Rafael.* On November 19, 2008, we executed the title deed for the acquisition of the “San Rafael” farm. This farm is located in the Province of Guarayos, Republic of Bolivia, and has a surface of 2,969 hectares, which were used for crop production during the 2009/2010 farm season.



*La Fon Fon.* On November 19, 2008, we executed the title deed for the acquisition of the “La Fon Fon” farm; it has a surface of 3,748 hectares, and is located in the Province of Obispo Santiesteban, Republic of Bolivia. During the 2009/2010 farm season it was used for crop production.

On March 2, we agreed upon the sale of 910 hectares belonging to Yuchán and Yatay, which are engaged in agricultural production, for a total amount of US\$ 3.6 million. From the total sales amount, US\$ 1 million has been already collected, while the balance is payable in five semi-annual consecutive installments maturing from December 2011 to December 2013.

*Vientos.* On June 3, 2011, we executed the purchase agreement of the “4 Vientos” farm, with a surface area of approximately 2,660 hectares, allocated to sugar cane production. Its purchase price was US\$ 8.4 million.

*La Primavera.* On June 7, 2011 we executed the purchase agreement for “La Primavera” farm, with a surface area of approximately 2,340 hectares, allocated to soybean production.

*Jerovia.* Agrology owns 50% of “Jerovia” farm, located in Mariscal José Félix Estigarribia, Department of Boquerón, Chaco Paraguayo, Republic of Paraguay, with a surface of 45,578 hectares. During the 2009/10 season 2,834 hectares were used for agriculture.

*Establecimiento Mendoza.* On March 2, 2011, we purchased, jointly with Zander Express S.A, a rural property composed of thirteen plots of land located in the District of Perdriel, Luján de Cuyo Department, in the Province of Mendoza. As a result of this acquisition, we have become owners of a 40% undivided estate in all and each of the properties, while Zander Express S.A. holds the remaining 60%. The total agreed price for this transaction was US\$ 4.0 million; therefore, the amount of US\$ 1.6 was payable by us.

*BrasilAgro.* See breakdown of farms in the section “International Expansion – BrasilAgro Companhia Brasileira de Propriedades Agricolas.”

## **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 crop season. Leases of farms for production of crops consist in lease agreements with payments based on a fixed amount of Pesos per hectare or crop sharing agreements (“aparcería”) with payments in kind based on a percentage of the crops obtained or a fixed amount of tons of grains obtained or their equivalent value in Pesos. Leases of farmlands for 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 2011, we leased from third parties a total of 71 fields, covering 64,840 hectares, of which 52,205 hectares were assigned to farming production, including double crops, and 12,635 hectares to cattle. The properties for

agricultural 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 number of hectares of leased land used for each of our principal production activities:

	<b>Fiscal Year ended June 30,</b>		
	<b>2009</b>	<b>2010</b>	<b>2011</b>
	<b>Leased</b>	<b>Leased</b>	<b>Leased</b>
Crops	59,615	42,696	52,205
Beef Cattle	32,795	12,635	12,635

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, 2011, we had storage capacity of approximately 15,341 tons (including 35.723% over 14,950 tons available at AgroUranga S.A.).

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

	<b>Storage capacity</b>				
	<b>Fiscal year ended on June 30,</b>				
	<b>2007</b>	<b>2008</b>	<b>2008</b>	<b>2010</b>	<b>2011</b>
			(in tons)		
Las Vertientes	10,000	10,000	10,000	10,000	10,000
San Nicolás <sup>(1)</sup>	5,341	5,341	5,341	5,341	5,341
<b>Total</b>	<b>15,341</b>	<b>15,341</b>	<b>15,341</b>	<b>15,341</b>	<b>15,341</b>

(1) Owned by us through AgroUranga S.A. (which represents 35.723% of 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 agricultural 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.

### *Milk*

During the fiscal years 2009, 2010 and 2011 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 2011 our sales from the agribusiness (excluding sales of farms) and feedlot/slaughtering segment were Ps.607.4 million and were made to approximately 408 customers. Sales to our ten largest customers represented approximately 74% of our net sales during the fiscal year 2010 and approximately 46% for the fiscal year ended June 30, 2011. Of these customers, our biggest three customers, Cargill S.A., Molinos Río de la Plata S.A. and Bunge Argentina. S.A. represented, in the aggregate, approximately 20% of our net sales for 2011, while the remaining seven customers in the aggregate represented approximately 26% of our net sales in fiscal year 2011. We have signed non-binding letters of intent with some of our largest customers that allow us to estimate the volume of the demand for certain products and to plan production accordingly. We generally enter into short-term agreements with a term of less than a year.

## **Marketing Channels and Sales Methods**

### ***Crops***

We normally work with grains brokers and other intermediaries to trade in the exchanges. We sell part of our production in advance through futures contracts and buy and sell options to hedge against a drop in prices. Approximately 85% of the futures and options contracts are closed through the *Bolsa de Cereales de Buenos Aires* (Buenos Aires Grains Exchange) and 15% in the Chicago Board of Trade for hedging purposes.

Our storage capabilities allow us to condition and store grains with no third-party involvement and thus to capitalize the fluctuations in the price of commodities. Our largest storage facilities, 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 have several marketing channels. We sell directly to local meat processors, supermarkets and in auctions. Our customers include Arre Beef S.A., Quickfood S.A., Finexcor S.A., Frigorífico La Pellegrinense S.A., Friar S.A., Madelan 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-season sales.

## **Competition**

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

Historically, there have been few companies competing for the acquisition and leases of farmlands for the purpose of benefiting from land appreciation and optimization of yields in the different commercial activities. However, we anticipate the possibility that new companies, some of them international, may become active players in the acquisition of farmlands and the leases of sown land, which would add players to the market in coming years.

## **Seasonality**

As is the case with any company in the agro-industrial sector, our business activities are inherently seasonal. Harvest and sales of grains (corn, soybean and sunflower) in general take place from February to June. Wheat is harvested from December to January. With respect to our international market, in Bolivia climate conditions allow a double season of soybean, corn and sorghum production and, accordingly, these crops are harvested in April and October, while wheat and sunflower are harvested during August and September, respectively. Other segments of our activities, such as our sales of 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.

On May 2, 2006, BrasilAgro's shares were listed in the Novo Mercado of the Brazilian Stock Exchange (BOVESPA) with the symbol AGRO3. BrasilAgro's shares were placed jointly with Banco de Investimentos Credit Suisse (Brazil) S.A. in the Brazilian market through investment mechanisms regulated by controlling authorities and with sales efforts pursuant to an exception from registration under the US Securities Act of 1933. The amount originally offered was R\$ 532 million, equivalent to 532,000 book-entry common shares at a price of R\$ 1,000 per share of BrasilAgro.

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

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

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

On July 22, 2010, the board of directors of BrasilAgro approved the proposal to terminate the consulting services agreement executed with Paraná Consultora de Investimentos S.A.

On October 20, 2010 and on December 23, 2010, we and Tarpon executed two addenda to the share purchase agreement dated as of April 28, 2010, under which we acquired 9,581,750 shares of common stock of BrasilAgro, representing 16.40% of the outstanding stock. Consequently, on October 20, 2010 we paid R\$25.2 million and on December 23, 2010 we paid R\$50.8 million, and the price remainder of R\$52.6 million was paid on April 27, 2011.

Consequently, we are the owners of 20,883,916 shares or 35.75% of BrasilAgro's outstanding capital stock. It should be noted that such acquisition of shares does not imply any change of control within the shareholders' group of BrasilAgro according to the legal regime in Brazil; and that BrasilAgro's shareholders' agreement will remain effective with the amendments that may be required for the sale of the shares owned by Tarpon and its affiliates to us. Additionally, we own 168,902 BrasilAgro's first issuance warrants and 168,902 BrasilAgro's second issuance warrants.

In addition, during the last quarter of calendar year 2010, we entered into an agreement by means of which we assigned all equity and political rights related to 2,276,534 shares of BrasilAgro for two years. The agreement also provides a promise to sell, under which the assignee may at any time request the sale of BM&FBOVESPA's shares or the transfer of shares on its behalf. In consideration for the assignment, we paid a fixed value of US\$0.8 million and additionally, in the event the assignee requested the sale or transfer of share, it should paid US\$7.15 per share sold or transferred.

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As concerns its portfolio as of June 30, 2011, BrasilAgro had 9 properties, with an aggregate surface area of 172,050 hectares, acquired at highly attractive prices as compared to the average in the respective regions, all of which offering high appreciation potential.

<b>Property</b>	<b>Province</b>	<b>Surface area (in hectares)</b>	<b>Main Activity</b>	<b>Purchase Price (R\$ MM)</b>
<b>São Pedro Farm</b>	Chapadão do Céu/GO Baixa Grande	2,447	Sugar cane	R\$ 9.90
<b>Cremaq Farm</b>	Ribeiro/PI	32,702	Crops	R\$ 42.00
<b>Jatobá Farm <sup>(1)</sup></b>	Jaborandi/BA	31,606	Crops and Cotton	R\$ 33.00
<b>Alto Taquari Farm</b>	Alto Taquari/MT	5,186	Sugar cane	R\$ 33.20
<b>Araucária Farm</b>	Mineiros/GO	9,682	Sugar cane	R\$ 70.40
<b>Chaparral Farm</b>	Correntina/BA	37,182	Crops and Cotton	R\$ 47.80
<b>Nova Buriti Farm</b>	Januária/MG	24,247	Forest	R\$ 21.50
<b>Preferência Farm</b>	Barreiras/BA	17,799	Cattle	R\$ 9.50
<b>Horizontalina Farm</b>	Tasso Fragoso/MA	14,359	Crops	R\$ 37.20
	<b>Total</b>	<b>175,210</b>		<b>R\$ 304.50</b>
<b>Total Owned by BrasilAgro <sup>(1)</sup></b>		<b>172,050</b>		<b>R\$ 301.20</b>

(1) Jatobá is owned by our affiliate Jaborandi S.A., in which we hold an equity interest of 90%. The Maeda group holds the remaining 10%.

(2) After new measurement of our properties we adjusted the total and farmable area to 174,149 hectares and 127,723 hectares, respectively.

Sao Pedro is a farm in Chapadao do Sul (MS). With a surface area of 2,447 hectares, Sao Pedro was bought for R\$ 9.9 million. Its potential production area is 1,724 hectares. In this farm, BrasilAgro has harvested summer crops consisting of 1,700 hectares of soybean and 433 hectares of corn, and has planted 293 hectares of winter corn. 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. On October 3, 2011 we informed our shareholders and the public in general that on September 28, 2011, we sold Fazenda São Pedro.

Cremaq is a farm in Baixa Grande do Ribeiro (Piaui). Acquired for R\$ 42 million and with a surface area of 32,702 hectares, it is estimated that the total production area will be 21,800 hectares. The farm is close to the Itaquí 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. BrasilAgro has harvested 15,346 hectares of soybean, 3,130 hectares of corn, and 1,050 hectares of rice. In addition, it has a 247 hectare cotton plantation.

Jatobá is a farm located in the Jaborandi district, in the State of Bahía. The acquisition price was R\$ 33 million and it has 31,606 hectares. It is estimated that the total production area will be 24,250 hectares. BrasilAgro has harvested 10,092 hectares of soybean and 771 hectares of corn.

Alto Taquari is a farm with a total area of 5,186 hectares, and it is located in the municipality of Alto Taquari, Mato Grosso. This property was purchased for R\$ 33.2 million. Its estimated production area is 3,666 hectares. Alto Taquari

executed an agreement with ETH Bioenergía for supplying sugar cane during two full cycles (6 harvesting years, including 5 harvests).

Araucária is a farm which has a total area of 9,682 hectares, and is located in the municipality of Mineiros, Goiás. The production area is estimated at 7,205 hectares. BrasilAgro has harvested winter crops in an area of 688 hectares. Araucária executed an agreement with ETH Bioenergía for supplying sugar cane during two full cycles (6 harvesting years, including 5 harvests). 100% of the area is planted with sugar cane, totaling 5,455 hectares.

Chaparral is a farm located in Correntina, Bahía. This farm has a surface area of 37,181 hectares and was purchased for R\$ 47.8 million. Its potential production area is 27,400 hectares and BrasilAgro has harvested 8,920 hectares of soybean.

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

Preferencia is a 17,799-hectare farm located in the municipality of Barreiras, Bahía. The purchase transaction was closed in September 2008 and it was agreed for a price of R\$ 500.0 per hectare. This property has good conditions for cattle breeding and crops growing. We have started rolling out a beef cattle project.

Horizontina is a 14,359 hectares farm, located in the municipality of Tasso Fragoso, Maranhão. We believe that this property has high appreciation potential if its land is developed. BrasilAgro invested approximately 2.6 million in infrastructure improvement works. BrasilAgro has harvested of 3,083 hectares of soybean and 800 hectares of rice.

During fiscal year 2011, BrasilAgro expanded its sown area (summer and winter season and sugar cane) by 26% compared to the previous period, reaching 58,191 hectares. In addition, during this year BrasilAgro developed 20,100 additional hectares, 14,200 of which were planted with soybean in the past season and 5,900 are being prepared for the coming season.

At the end of fiscal year 2011, BrasilAgro presented consolidated assets for R\$ 748.2 million, R\$ 135.6 million of which 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. Since its start of operations in 2006, BrasilAgro's sown area has recorded an annual average growth of 38%.

For more information, please see "Recent Developments" and "Significant Changes".

### **Futuros y Opciones.Com S.A.**

In May 2000, we acquired 70% of the shares of FyO S.A. ("Futuros y Opciones.com") for Ps.3.6 million. A site launched in November 1999 which main goal is to become the most important agricultural 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 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.

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 years 2008 and 2009, Futuros y Opciones.Com continued trading futures and options with a 7.67% and 23.8% growth, respectively, 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 grain business strengthened, reaching the number of tons agreed during the fiscal year. On the side of revenues, invoicing percentages over total tons agreed decreased compared to the previous year, given that year 2009, which was taken as basis, was signaled by the transfer of invoices caused by the agricultural stoppage of the previous season.

As of June 30, 2010, Futuros y Opciones.Com total revenues increased by 61.95% from Ps.21.5 million for fiscal year 2009 to Ps.34.8 million for fiscal year 2010, with 8.27% growth in the revenues yielded by its main business, grains brokerage, from Ps.7.3 million for fiscal year 2009 to Ps. Ps.7.9 million for fiscal year 2010. In addition, the business consisting in sales of inputs grew by 99.48% from Ps.12.0 million for fiscal year 2009 to Ps.23.9 million for fiscal year 2009, while revenues from commissions from the same business rose 200.99% from Ps.0.2 million for fiscal year 2009 to Ps.0.5 for fiscal year 2010 and technology services commissions increased by 35.13% from Ps.0.9 million for fiscal year 2009 to Ps.1.2 million for fiscal year 2010.

The increase in the input business was motivated by the significant impact suffered in the previous fiscal year by the severe drought that affected Argentina, along with the drop in prices, which forced Argentine producers to reduce input investments in the 2008/2009 season. During this season the situation was reverted and the targets set for this year were met.

The portal *fyo.com* has reached its tenth anniversary, consolidating as the benchmark site for agricultural marketing and adding year after year new and significant agricultural customers of various sizes to its user community. The site has a base of 55,000 registered users who make 60,000 unique visits per month, showing a highly satisfactory site stay time and contributing to the exchange of farming matters among an entire recognized community of producers from Argentina and neighboring countries.

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.

On September 30, 2010, the Ordinary Shareholders Meeting of FyO.Com decided to approve a capital increase for up to Ps. 5,925, related to issuing 538,613 registered, non-endorsable shares of common stock with a face value of Ps. 1, plus an additional paid-in capital for Ps. 5,386. In such sense, we subscribed shares for Ps. 4,467, of which Ps. 3,541 was made by the conversion of debt into equity and the difference for Ps. 926 to be paid-in in cash. As a result of the transaction as of March 31, 2011, we held a 65.85% interest in Futuros y Opciones.Com.

As of the end of fiscal year 2011, our total revenues from our grains brokerage business unit were Ps.14.3 million with a trading volume of 1.2 million tons, 10% higher than the volume traded in fiscal year 2010 and thus accumulating a 50% growth in the last 7 years. The main crops traded were corn and soybean, and to a lesser extent, wheat and sunflower.

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.

### **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, a leading meat processing company, pursuant to which Tyson Foods, through Provemex Holdings LLC, acquired a 52% equity interest in Cactus to establish the first integrated cattle operation in Argentina. Consequently, our equity interest and Cactus Feeders, Inc. equity interest in Cactus was 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, we and Cactus acquired 100% of the Exportaciones Agroindustriales Argentinas S.A. ("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. Cactus has been a pioneer in feedlot services with 25,000 heads of cattle capacity, depending on the size of the cattle. Cactus' client 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.

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

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

The decrease in supply has adversely affected the value chain by reducing cold-storage plant utilization, which in turn has left several plants struggling to remain operational in view of the poor returns and shortage of raw materials. Our investment in EAASA has not escaped unscathed and we are assessing our alternatives looking forward.

On December 23, 2010, in order to provide Cactus with funds to meet its working capital needs, we took part in a capital increase in the amount of US\$4.0 million. Therefore, we increased our ownership interest in Cactus from 48% to 80%, the remaining 20% is held by our partner Tyson Provemex Holdings, LLC. As part of this transaction, we and Tyson decided to make certain amendments to the shareholders agreement and, in this context, we granted Tyson a put option in connection with its 20% equity interest in Cactus.

### **AgroUranga S.A.**

We have a 35.7% interest in AgroUranga S.A. This company maximizes the use of production processes, with special emphasis in soil conservation, the application of rational techniques and care of the environment. AgroUranga S.A. has two farms: Las Playas and San Nicolás, with an aggregate surface of 8,305 hectares, located in the core region of the Pampas prairies. 40% of the revenues from AgroUranga's crop production derive from its special products division, including popcorn, chickpea, peas and lentils, whereas the remaining 60% derives from commodities. Currently, with the assistance of its foreign trade team it is seeking to add new products to significantly increase export volumes, encouraged by the growing demand.

### **Agrology S.A.**

Agrology was incorporated on May 8, 2008, with our equity interest of a 97% equity interest and IGSA holding the remaining 3%. The capital stock of Ps.50,000 was fully subscribed and paid. 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 IRSA's debt with us for such amount, pursuant to the line of credit agreement entered into by IRSA and us. As a result of this sale, the rights pursuant to the loan agreement entered into by us and IFISA were 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 accrue interest at a monthly rate equivalent to 3-month LIBOR, plus 150 basis points. They would be effective for 30 days and may be renewed for periods, up to a maximum of 360 days. Later, IFISA had returned 811,711 IRSA's GDRs to Agrology.

On July 30, 2009 and July 25, 2010, Agrology and IFISA extended for 360 days the maturity of the securities loan agreement mentioned above, granting under this agreement, 1,253,942 GDRs of IRSA.

On September 8, 2010, Agrology celebrated a new agreement with IFISA, by means of which Agrology granted 800,000 GDRs of IRSA under the same conditions as the previous agreements.

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 our agricultural business in South America, on September 2008, we entered into several agreements to carry out real estate and agricultural, livestock and forestry activities in the Republic of Paraguay. Under these agreements, a new corporation was organized together with Carlos Casado S.A. under the name Cresca, in which we hold a 50% equity interest. Additionally, we provide consulting services for the agricultural, livestock and forestry development of a rural property of 41,931 hectares.

We entered into a promise agreement to purchase a 50% interest in a rural property located in Mariscal José Felix Estigarribia, Department of Boquerón, Chaco Paraguayo, Republic of Paraguay, owned by Carlos Casado S.A., for a price of US\$5.2 million, in order to contribute them to the new company organized. The contribution was made on January 26, 2009, and the title deed to the property was executed on February 3, 2009. Therefore, jointly with the contribution made by Carlos Casado S.A., the total value of the contributions in Cresca is US\$10.5 million. In addition, Cresca has an option granted by Carlos Casado S.A. for the purchase of 100,000 additional hectares located in Paraguay.

In relation to the development of marginal areas, Cresca started planting activities in approximately 2,834 hectares developed at the first stage and started developing approximately 3,000 hectares at the second stage, which are expected to be completed in the course of 2010 calendar year, and will start to be productive in fiscal year 2011, adding more lands intended for agricultural production.

On March 19, 2010 the option granted under the agreement dated September 3, 2008 (Call Option Agreement) was partially exercised, whereby 3,614 hectares, valued at US\$350 each, were transferred to Cresca.

Finally, on June 29, 2010, the title deed was executed, involving the conveyance of 3,646 hectares.

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

In the framework of a series of transactions that represent a new expansion of our agribusiness operations in South America, in line with our business plan, we have incorporated companies that own land in the Republic of Bolivia through our controlled companies Agrology S.A., Inversiones Ganaderas S.A. and Agropecuaria Anta S.A. (formerly known as Agropecuaria Cervera S.A.) and have acquired a company in the Republic of Uruguay.

For such purposes, the following companies were incorporated: Agropecuaria Acres del Sud S.A., Aguaribay Agropecuaria S.A., Calden Agropecuaria S.A., Itin Agropecuaria S.A., Ñandubay Agropecuaria S.A., Ombú Agropecuaria S.A., Yatay Agropecuaria S.A. and Yuchan Agropecuaria S.A. whose shareholders are: (i) Agrology S.A. with a 95.12% shareholding, (ii) Inversiones Ganaderas S.A. and (iii) Agropecuaria Anta S.A. with a 2.44% interest, each. The preceding Bolivia-based companies (except for Agropecuaria Acres del Sud S.A.) acquired land for agricultural operations. We maintain a 100.00% ownership interest in the capital stock of those companies, all engaged in agricultural operations.

In addition, during October 2008, we acquired, through our controlled company Agrology, a company named Helmir S.A., domiciled in the Republic of Uruguay and incorporated with a broad-ranging corporate purpose.

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

In connection with these lands, on November 20, 2008, two purchase instruments including delivery of possession were executed, as part of the process of casting into public deed and filing of deeds with the relevant registries, involving the purchase of 883, 2,969 and 3,748 hectares in “San Cayetano,” “San Rafael” and “La Fon Fon” farms, respectively, located in Santa Cruz, Bolivia. We have already paid 43% of the agreed price of US\$17.5 million. The remaining balance was payable in two annual installments: the first one was paid during the 2010 fiscal period, and the second one was paid in fiscal year 2011.

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. On that date, the sum of US\$3.8 million was paid, representing 42.9% of the total agreed price. The remaining balance is payable in two annual installments: the first one was paid during the 2010 fiscal period, and the second one was paid in fiscal year 2011.

During fiscal year 2010, 10,800 hectares of the farms located in Bolivia were sown. This region has traditionally achieved double harvesting of soybean, which means that better results can be obtained per hectare during a single season; yet, the weather conditions that prevailed during the last year have not allowed double harvesting.

In June 2011, we entered into a purchase agreements for two agricultural parcels located at Santa Cruz, Bolivia, with a total surface of 5,000 hectares, which will be used for agricultural exploitation:

(i) The first parcel has a surface of approximately 2,660 hectares for sugar cane exploitation purposes. The purchase price was US\$8.4 million. Upon the execution of the purchase agreement, we paid 23.8% of the purchase price. The balance will be paid in four installments, being the first installment in June 2011 and the last installment in October 2012.

(ii) The second parcel has a surface of approximately 2,340 hectares for soybeans exploitation purposes. The purchase price was US\$4.9 million. Upon the execution of the purchase agreement, we paid 33.9% of the purchase price. The balance will be paid in four consecutive semi-annual installments, being the first installment in December 2011.

Transfer of title of both parcels will occur once the purchase price has been paid in full.

Additionally, we have agreed to sell a parcel with a surface of 910 hectares for US\$3.64 million. We have been paid 27.5% of the purchase price and the balance will be paid in 5 consecutive semiannual installments, being the last installment in December 2013.

### ***Real Estate Business***

Please see our “*Real Estate Business*” business overview, below on this item, for a more detail discussion.

### **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* (“*SENASA*”), which is an entity within the Ministry of Agriculture, Livestock and Fishing and Production (“*Ministerio de Agricultura, Ganaderia y Pesca*”) that oversees the farming and animal sanitary activities.

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

### ***Sale and Transportation of 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 *SENASA*.

### ***Export Restriction of Beef***

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

In September 2010, the Secretaría de Agricultura Ganadería Pesca y Alimentos granted to our subsidiary EAASA 622 tons to export beef under the authorized quotas, known as *Cuota Hilton*. As of the date of these Annual Report, such quotas have not been modified

### ***Environment***

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

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

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

As of June 30, 2011, we owned land reserves in excess of 339,744 hectares, which are located in under-utilized areas where agricultural production is not yet fully developed. We believe that technological tools are available to improve the productivity of such land and enhance its long-term value. However, existing or future environmental regulations may prevent us from completely developing our land reserves, requiring us to maintain a portion of such land as unproductive land reserves.

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

On November 28, 2007, Argentine Congress passed a law known as the Forest Law which sets minimum standards for the conservation of native forests and incorporates minimum provincial expenditures to promote the protection, restoration, conservation and sustainable use of native forests. The Forest Law prevents landowners, including deforestation of native forests or converting non-forested areas in forested land for other commercial uses without prior permission from each local government that gives the permit and requires the preparation, appraisal and approval of a report environmental impact. The Forest Law also provides that each province should adopt its own legislation and its map of regional order within one year. During the time that such an implementation requires provincial new clearing will be authorized a plan for implementation within one year and not allow any deforestation during this period of one year. In addition, the Forest Law also establishes a national policy for sustainable use of native forests and includes the recognition of native communities 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 our goals is that business be conducted at all times be 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 our and IRSA’s consolidated annual sales volume exceeds Ps.200.0 million, IRSA should give notice to the Antitrust Authority of any transaction within the scope of the Antitrust Law.

On June 30, 2009 Cactus Feeders, Helmir and we subscribed a stock purchase agreement, whereby Cactus Feeders Inc. transferred to us and Helmir, which is controlled indirectly by our shares of Cactus Argentina. Moreover on June 07, the economic concentration was notified to the Antitrust Authority. On October 28, 2010 the Antitrust Authority authorized the transaction.

On December, 2010 the shareholders of Cactus requested the Antitrust Authority an opinion regarding the structure resulting of an increase in the capital of Cactus Argentina S.A. and a new shareholders’ agreement. The Antitrust Authority issued an opinion stating that the transaction has to be notified for its authorization. On November, 2011 Cactus and Provemex filed a notification with the Antitrust Authority.

## **Real Estate Business**

Our equity interest in IRSA was 63.22% as of June 30, 2011. This percentage includes 43,401,932 shares owned by Agrology. 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, 2010 and 2009 and for the years then ended is not comparable to prior periods.

## **Operations and principal activities**

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

As of June 30, 2010 and 2011, IRSA had total assets of Ps. 5,633.4 million and Ps. 6,315.3 million, respectively and shareholders' equity of Ps. 2,403.0 million and Ps. 2,481.8 million, respectively. Our net income for the fiscal years ended June 30, 2009, 2010, and 2011 was Ps. 158.6 million, Ps. 334.5 million and Ps. 282.1 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.

IRSA currently owns 29.77% (does not consider the effect of Banco Hipotecario's treasury stock) of Banco Hipotecario S.A. ("Banco Hipotecario"), one of the leading financial institutions in Argentina.

	<b>Fiscal years ended June 30, (1)</b>		
	<b>2011</b>	<b>2010</b>	<b>2009</b>
	(in thousands of Pesos)		
<b>Offices and Other Non-Shopping Center Rental Properties:</b>			
City of Buenos Aires	163,949	153,989	147,142
Buenos Aires Province	669	175	607
Subtotal	164,618	154,164	147,749
<b>Shopping Centers and Consumer Financing:</b>			
City of Buenos Aires	534,563	638,694	514,353
Buenos Aires Province	91,321	59,833	47,488
Salta Province	19,275	13,701	10,838
Santa Fe Province	42,642	30,821	24,141
Mendoza Province	36,441	27,206	25,478
Córdoba Province	19,113	13,446	11,262
Subtotal	743,355	783,701	633,560
<b>Development and Sale of Properties:</b>			
City of Buenos Aires	192,605	214,913	262,646
Buenos Aires Province	114,695	9,461	10,043
Córdoba Province	63	21	29
Santa Fe Province	24,461	-	7,644
Mendoza Province	-	1,172	-
Salta Province	148	-	-

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Neuquén Province	9,102	-	-
Subtotal			
<b>Hotels:</b>	122,627	101,088	98,427
City of Buenos Aires	70,256	58,806	60,486
Rio Negro Province	192,883	159,894	158,913
Subtotal			
<b>Total by Geographic Area:</b>			
City of Buenos Aires	1,013,744	1,108,684	1,022,568
Buenos Aires Province	206,685	69,469	58,138
Rio Negro Province	70,256	58,806	60,486
Santa Fe Province	67,103	30,821	31,785
Salta Province	19,423	13,701	10,838
Córdoba Province	19,176	13,467	11,291
Mendoza Province	36,441	27,206	25,478
Neuquén Province	9,102	-	-
<b>Total</b>	<b>1,441,930</b>	<b>1,322,154</b>	<b>1,220,584</b>

(1) Our Financial Operations and Others segment does not generate revenues, but instead generates gain (loss) on equity investees.

*Shopping centers.* IRSA is engaged in purchasing, developing and managing shopping centers through our subsidiary Alto Palermo. Alto Palermo operates and owns majority interests in eleven shopping centers in Argentina, seven of which are located in the Buenos Aires metropolitan area and four of which are located in the provinces of Mendoza, Santa Fe, Córdoba and Salta. Recently APSA has started operations, through a concession, of its 13<sup>th</sup> Shopping Center in the province of Santa Fé. Our Shopping Center segment had assets of Ps.1.9 billion as of June 30, 2010, and Ps. 2.2 billion as of June 30, 2011, representing 34.3% and 35.4 % of our consolidated assets as of such dates respectively, and generated operating income of Ps.268.0 million and Ps.385.1 million during our 2010 fiscal year and 2011 fiscal year, respectively, representing 49.6% and 65.8% of our consolidated operating income for such years.

*Consumer financing.* IRSA was engaged in the consumer financing business through its subsidiary Tarshop S.A.. 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, supermarkets and street stores.

IRSA's Consumer financing segment had a low impact in IRSA's figures this fiscal year since September 1, 2010, Tarshop S.A. no longer consolidates its financial statement due to an 80% sale of the outstanding capital stock to Banco Hipotecario, an IRSA affiliate on September 1, 2010. However, IRSA still has a 100% equity interest in Metroshop, a small consuming financing company with a residual credit portfolio which will keep diminishing here on.

As of June 30 2010 and 2011 IRSA's consumer financing segment had assets equivalent to Ps.327.3 million and Ps. 45.7 million, respectively, representing 5.8% and 0.4% of our consolidated assets as of such date, and had an operating loss of Ps.53.3 million and Ps. 19.0 million during our 2010 and 2011 fiscal years which represented 9.9% and 3.2% of our consolidated operating income for such periods.

*Development and Sale of Properties.* The acquisition and development of residential apartment complexes and other residential communities for sale is another of our core activities. IRSA's 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. For the development of residential communities, IRSA generally acquires vacant land, develop infrastructure such as roads, utilities and common areas and sell plots of land for construction of residential units. IRSA Development and Sale of Properties segment had assets of Ps.657 million and Ps. 712.5 million as of June 30, 2010 and June 30, 2011 respectively, representing 11.7% and 11.3% of its consolidated assets as of such dates, and had an operating income of Ps.139.5 million and Ps.85.1 million during fiscal years 2010 and 2011, respectively, representing 25.8% and 14.5% of IRSA's consolidated operating income for such years.

*Offices and Other Non-Shopping Center Rental Properties.* As of June 30, 2011, IRSA directly and indirectly owned interests in 11 office buildings that in the aggregate represented 327,838 square meters of gross leasable area. IRSA's Office and Other Non-Shopping Center Rental Properties segment had assets of Ps.1.1 billion as of June 30, 2010 and of Ps. 1.4 billion as of June 30, 2011, representing 19.3% and 22.4% of our consolidated assets as of such dates, and generated operating income of Ps.73.5 million and Ps.84.1 million during fiscal year 2010 and 2011, respectively, representing 13.6% and 14.4% of our consolidated operating income for such years.

*Hotels.* IRSA owns 50% of the Hotel Llao Llao in Bariloche, a controlling interest in the Hotel Intercontinental in Buenos Aires and 80% of the Hotel Sheraton Libertador in Buenos Aires. IRSA's Hotel segment, which consists of its investments in these three hotels, had assets of Ps.248.3 million as of June 30, 2010 and Ps. 239.5 million as of June 30, 2011, representing 4.4% and 3.8% of its consolidated assets as of such dates, and generated operating income of Ps.5.4 million and Ps.12.2 million during fiscal years 2010 and 2011, respectively, representing 1.0% and 2.1% of our consolidated operating income for such years.

*Banco Hipotecario.* During fiscal year 2011 IRSA continued increasing its interest in Banco Hipotecario, as of June 30, 2011 IRSA owns approximately 29.77% of Banco Hipotecario, Argentina's largest mortgage lender in terms of outstanding mortgage loans. IRSA's investment in Banco Hipotecario is held in the form of Class D shares which are currently entitled to three votes per share, affording us the right to cast 46.46% of the total votes at Banco Hipotecario's shareholders' meetings. As of June 30, 2011, IRSA's investment in Banco represented 14.5% of its consolidated assets, and such investment generated a gain of Ps.142.1 million, Ps. 151.6 million and Ps. 76.7 million during our fiscal years ended June 30, 2009, 2010 and 2011.

*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 were sold between 2001 and 2002. Recently IRSA has acquired through a subsidiary, in which IRSA has a 49% equity interest, an office building located in Madison Avenue in the city of New York, Additionally, IRSA owns a 49% interest in a United States company which principal asset is the office building known as "Lipstick" in New York City. Furthermore, together with some affiliates, IRSA had acquired and later sold part of its equity interest in Hersha, a real estate investment trust listed on the New York Stock Exchange (NYSE:HT), which has interests in 78 hotels, primarily distributed along the northeast corridor of USA, totalizing about 10,400 rooms as of June 30, 2011. At the end of our fiscal year 2011 IRSA owned 9.2% stake in such company. IRSA intends to continue evaluating real estate investment opportunities outside of Argentina.

## **Business Strategy**

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

*Shopping centers.* IRSA believes 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 IRSA considers low compared to many developed countries. IRSA's main objectives are generating a sustained growth in the cash flow of our shopping centers and increasing their value in the long-term, and maintaining a leading position in the Argentina's shopping center industry.

*Development and Sale of Properties.* IRSA seeks to purchase undeveloped properties in densely-populated areas and build apartment complexes offering "green space" for recreational activities. IRSA also seeks to develop residential communities by acquiring undeveloped properties with convenient access to the City of Buenos Aires, developing roads and other basic infrastructure such as power and water, and then selling lots for the construction of residential units. After the economic crisis in 2001 and 2002, the scarcity of mortgage financing restricted the growth in middle class home purchases, and as a result, IRSA mainly focused on the development of residential communities for middle

and high-income individuals, who do not need to finance their home purchases. In addition, IRSA seeks to develop residential properties for other segments of the residential market in Argentina and during the first quarter of the fiscal year ended June 30, 2008, IRSA entered into a partnership with Cyrela Empreendimentos e Participações, a leading Brazilian residential real estate developer, to penetrate in new market segments.

*Office and Other Non-Shopping Center Rental Properties.* Since the Argentine economic crisis in 2001 and 2002, there has been limited investment in high-quality office buildings in Buenos Aires and, as a result, IRSA believes there is currently substantial demand for those desirable office spaces. IRSA seeks to purchase and develop premium office buildings in strategically-located business districts in the City of Buenos Aires and other strategic locations that IRSA believes offers returns and potential for long-term capital gains. IRSA expects to continue its focus on attracting premium corporate tenants to its office buildings. Furthermore, IRSA intends to consider on a selective basis new opportunities to acquire or construct new rental office buildings.

*Hotels.* IRSA believes its portfolio of three luxury hotels is positioned to take advantage of future growth in tourism and business travel in Argentina. IRSA seeks to continue with its strategy to invest in high-quality properties which are operated by leading international hotel companies to capitalize on their operating experience and international reputation. IRSA also seeks to continue to invest in improvements for our hotels to maintain a high level of service in the hotel competitive sector.

*Banco Hipotecario.* IRSA currently seeks to keep its investment in Banco Hipotecario, as believes that Argentina has a low level of mortgages outstanding measured in terms of GDP and as a result, our investment in Banco Hipotecario is interesting in the long term.

*Land reserves.* IRSA seeks to continue to acquire undeveloped land at locations we consider attractive inside and outside Buenos Aires. In each case, our intention is to purchase land with significant development or appreciation potential for subsequent sale. IRSA believes that holding a portfolio of desirable undeveloped plots of land enhances our ability to make strategic long-term investments and affords us a valuable “pipeline” of new development projects for upcoming years.

*International.* In the past, IRSA has made significant real estate investments outside of Argentina, including investments in Brazil Realty S.A. in Brazil and Fondo de Valores Inmobiliarios in Venezuela which IRSA disposed of in 2002 and 2001, respectively. During fiscal year 2009, IRSA acquired a 30% interest in a company incorporated in Delaware, whose main asset is the so-called “Lipstick” office building located in the City of New York, and more recently, IRSA acquired a 10.09% interest, jointly with subsidiaries, in a REIT, called Hersh (NYSE: HT), which holds a controlling interest in 77 hotels in the United States, totaling around 9,551 rooms as of June 30, 2010. In addition, IRSA recently signed a conditional agreement for the purchase of a property located at 183 Madison Avenue, New York, NY, through an investment in a limited liability company, Rigby 183 LLC. IRSA seeks to continue to evaluate on a selective basis real estate investment opportunities outside Argentina as long as they offer investment and development attractive opportunities.

## **Shopping Centers**

### **Overview**

Through IRSA, we are engaged in purchasing, developing and managing shopping centers through our subsidiary, Alto Palermo. As of June 30, 2011, Alto Palermo operated and owned majority interests in twelve shopping centers, six of which are located in the City of Buenos Aires (Abasto, Paseo Alcorta, Alto Palermo, Patio Bullrich, Buenos Aires Design and Dot Baires Shopping), two of which are located in the greater Buenos Aires (Alto Avellaneda and Soleil Factory) metropolitan area and the other four of which are located in the Argentine provinces: Alto Noa in the City of Salta, Alto Rosario in the City of Rosario, Mendoza Plaza in the City of Mendoza and Córdoba Shopping Villa Cabrera in the City of Córdoba.



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As of June 30, 2011, IRSA owned 94.9% of Alto Palermo. The remaining shares are held by the investor public and traded on the Bolsa de Comercio de Buenos Aires and the related GDSs are listed and traded on the Nasdaq National Market (USA) under the symbol “APSA.” In addition, as of June 30, 2011, IRSA owned US\$31.7 million of Alto Palermo’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 Alto Palermo’s common stock, our shareholding in Alto Palermo would increase to 97.5% of its fully diluted capital.

As of June 30, 2011, Alto Palermo’s shopping centers comprised a total of 299,326 square meters of gross leaseable area. For fiscal period 2011, the average occupancy rate of Alto Palermo’s shopping center portfolio was approximately 97.3%.

As a result of APSA’s acquisition of several shopping centers, IRSA centralized management of its shopping centers in Alto Palermo, which is responsible for providing common area electrical power, a main telephone switchboard, central air conditioning and other basic common area services.

The following table shows certain information concerning our Alto Palermo subsidiary’s shopping centers as of June 30, 2011:

**Shopping Centers**

	Date of Acquisition	Leaseable			Accumulated Annual			Book
		Area square meters (1)	APSA’s Interest (3)	Effective Occupancy rate (2)	Rental Income for the fiscal year			Value (Ps./000) (5)
					(in Ps./000) (4)			
					2011	2010	2009	
Shopping Centers <sup>(6)</sup>								
Alto Palermo	11/97	18,701	100.0%	100.0%	120,338	98,020	82,450	279,937
Abasto Shopping <sup>(7)</sup>	07/94	37,731	100.0%	99.8%	118,259	91,304	77,773	325,352
Alto Avellaneda	11/97	36,663	100.0%	96.3%	77,121	59,833	47,488	169,456
Paseo Alcorta	06/97	13,911	100.0%	99.2%	52,027	42,714	39,067	133,090
Patio Bullrich	10/98	11,741	100.0%	100.0%	45,033	37,254	31,537	136,466
Alto Noa Shopping	03/95	19,001	100.0%	100.0%	19,275	13,701	10,838	40,912
Buenos Aires Design	11/97	13,777	53.7%	98.6%	17,329	14,613	12,965	18,103
Alto Rosario Shopping <sup>(7)</sup>	11/04	28,646	100.0%	95.0%	42,642	30,821	24,141	138,472
Mendoza Plaza Shopping	12/94	40,659	100.0%	95.2%	36,441	27,206	25,478	123,312
Fibesa and Others <sup>(8)</sup>	-	N/A	100.0%	N/A	35,832	24,928	25,235	-
Neuquén <sup>(9)</sup>	07/99	N/A	98.1%	N/A	-	-	-	17,063
Dot Baires Shopping <sup>(10)</sup>	05/09	49,527	80.0%	99.7%	77,169	64,515	8,499	495,836
Córdoba Shopping Villa Cabrera	12/06	15,174	100.0%	98.1%	19,113	13,446	11,262	78,527
Soleil	07/10	14,091	100.0%	87.8%	14,200	-	-	68,578
<b>TOTAL SHOPPING CENTERS</b>		<b>299,622</b>	<b>95.1%</b>	<b>97.6%</b>	<b>674,779</b>	<b>518,355</b>	<b>396,733</b>	<b>2,025,104</b>
Consumer Finance Revenues <sup>(11)</sup>	-	N/A	20.0%	N/A	68,576	265,346	236,827	-



GENERAL TOTAL <sup>(12)</sup>	299,622	90.1%	97.3%	743,355	783,701	633,560	2,025,104
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**Notes:**

- (1) Total leaseable area in each property. Excludes common areas and parking spaces.-
- (2) Calculated dividing occupied square meters by leaseable area on the last day of the period.-
- (3) APSA's effective interest in each of its business units. IRSA has a 94.9% interest in APSA.-
- (4) Corresponds to total leases, consolidated as per the Technical Resolution 21 method.-
- (5) Cost of acquisition plus improvements, less accumulated depreciation, plus adjustment for inflation, less allowance for impairment. Does not include works in progress.
- (6) Through Alto Palermo S.A.
- (7) Excludes Museo de los Niños (3,732 in Abasto and 1,261 in Alto Rosario).-
- (8) Includes revenues from Fibesa S.A., Comercializadora Los Altos S.A. (merged with Fibesa S.A.), and others.
- (9) Land for the development of a shopping center.
- (10) During May 2009, a shopping center, a hypermarket and a movie theater complex were opened.
- (11) APSA's interest in Tarshop was 100% until 08/31/2010 and as from 09/01/2010 was 20%. APSA's interest in Metroshop is 20%.
- (12) Corresponds to the "shopping center" business unit mentioned in Note 3 to the Consolidated Financial Statements; includes the interest in the shopping center.

***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:

Table of Contents**Accumulated Tenants' retail sales as of June 30,  
(Ps. 000) <sup>(1)</sup>**

	<b>2009</b>	<b>2010</b>	<b>2011</b>
Abasto	774,496	926,373	1,227,372
Alto Palermo	745,009	879,728	1,100,349
Alto Avellaneda	696,502	885,195	1,132,631
Paseo Alcorta	374,757	414,652	525,752
Patio Bullrich	274,923	344,789	432,319
Alto Noa	211,353	280,241	381,181
Buenos Aires Design	129,072	140,974	188,475
Mendoza Plaza	436,599	559,359	733,370
Alto Rosario	318,444	419,143	610,932
Córdoba Shopping- Villa Cabrera	133,527	164,257	244,189
Dot Baires Shopping	99,478	763,528	985,672
Soleil	-	-	204,077
Total <sup>(2)</sup>	4,194,160	5,778,239	7,766,319

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

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

**Lease Expirations**

The following table shows a schedule of estimated lease expirations for our shopping center for leases in effect as of June 30, 2011, assuming that none of the tenants exercise renewal options or terminate their lease early.

<b>Lease Expirations as of June 30,</b>	<b>Number of Leases Expiring<sup>(1)</sup></b>	<b>Surface area subject to Expiring Leases (m<sup>2</sup>)</b>	<b>Percentage of Total Surface Area subject to Expiration (%)</b>	<b>Annual Base Rent under Expiring Leases (thousands of Ps.)</b>	<b>Percentage of Total Base Rent Under Expiring Leases (%)</b>
2012	616	102,627	34%	120,894	38%
2013	396	52,174	17%	80,446	25%
2014	316	46,362	15%	72,723	23%
2015 and subsequent	107	98,459	33%	46,313	14%
Total <sup>(2)</sup>	1,435	299,622	100%	320,376	100%

(1) Includes vacant stores as of June 30, 2011. A lease agreement may be linked to one or more premises.

(2) Includes the basic rental income amount. Does not give effect to our ownership interest in each property.

**Occupancy Rate**

The following table shows the occupancy rate of each shopping center during fiscal years ended June 30, 2009, 2010 and 2011:

		<b>As of June 30,</b>	
	<b>2009</b>	<b>2010</b>	<b>2011</b>
Abasto	99.8	99.6	99.8
Alto Palermo	100.0	100.0	100.0
Alto Avellaneda	100.0	96.0	96.3
Paseo Alcorta	97.9	97.5	99.2
Patio Bullrich	99.6	99.7	100
Alto Noa	99.9	99.9	100
Buenos Aires Design	98.8	98.4	98.6
Mendoza Plaza	96.8	93.1	95.2
Alto Rosario	95.0	93.7	98.1
Córdoba Shopping Villa Cabrera	96.4	98.8	98.1
Dot Baires Shopping	99.9	100	99.7
Soleil			87.8
<b>Weighted Average</b>	<b>98.5</b>	<b>97.5</b>	<b>97.6</b>

**Rental Price**

The following table shows the annual rental price per square meter for the fiscal years ended June 30, 2011, 2010 and 2009:

	<b>Rental Prices as of June 30 for the fiscal periods (Ps./square meters) <sup>(1)</sup></b>		
	<b>2009</b>	<b>2010</b>	<b>2011</b>
Abasto	1,710.8	1,986.8	2,549.5
Alto Palermo	3,580.8	4,033.8	4,995.7
Alto Avellaneda	1,156.0	1,469.2	1,877.6
Buenos Aires Design	731.1	810.2	959.7
Paseo Alcorta	2,408.7	2,498.9	3,233.6
Patio Bullrich	2,254.6	2,673.9	3,201.7
Alto Noa	502.6	658.6	920.3
Alto Rosario	746.5	948.4	1,336.5
Mendoza Plaza	546.8	598.8	804.9
Córdoba Shopping- Villa Cabrera	590.7	731.6	1,104.0
Dot Baires Shopping	1,162.4	1,081.9	1,288.4
Soleil	-	-	870.5

(1) The annual price of rentals per square meter of gross leasable area reflects basic and supplementary rental charges as well as revenues from admission rights divided by the square meters of the gross leasable area.



### *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 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. Alto Palermo's lease agreements are generally denominated in Pesos.

Executive Branch Decree No. 214/2002 and Executive Branch 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.

Leaseable space in Alto Palermo's shopping centers is marketed through an exclusive arrangement with its real estate brokers, Fibesa S.A. ("Fibesa") and Comercializadora Los Altos S.A. (merged with Fibesa S.A. as of July 1, 2009). Alto Palermo has a standard lease agreement, the terms and conditions of which are described below, which we use for most tenants. However, Alto Palermo's largest tenants generally negotiate better terms for their respective leases. No assurance can be given that lease terms will be as set forth in the standard lease agreement.

Alto Palermo charges its tenants a rent which consists of the higher of (i) a monthly base rent (the "Base Rent") and (ii) a specified percentage of the tenant's monthly gross sales in the store (the "Percentage Rent") (which generally ranges between 3% and 10% of tenant's gross sales). Furthermore, pursuant to the rent escalation clause in most leases, a tenant's Base Rent generally increases between 18% and 24% each year on an annual and cumulative basis as from the thirteenth (13th) month of the lease effective term. 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, no assurance can be given that Alto Palermo may be able to enforce such clauses contained in its lease agreements.

In addition to rent, Alto Palermo charges most of its tenants an admission fee, which is required to be paid upon entering into a lease agreement and upon a lease agreement renewal, which is negotiated with each of the tenants. The admission fee 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 Alto Palermo's consent.

Alto Palermo is responsible for supplying each shopping center with the electrical power connection and provision, a main telephone switchboard, central air conditioning connection and a connection to a general fire detection system. Each rental unit is connected to these systems. Alto Palermo also provides the food court tenants with sanitation and with gas systems connections. Each tenant is responsible for completing all the necessary installations within its own rental unit, in addition to the direct expenses generated by these items within each rental unit. These direct expenses generally include: electricity, water, gas, telephone and air conditioning. Tenants must also pay for a percentage of total charges and general taxes related to the maintenance of the common areas. Alto Palermo determines this percentage based on several factors. The common area expenses include, among others, administration, security, operations, maintenance, cleaning and taxes.

Alto Palermo carries out promotional and marketing activities to increase attendance to its shopping centers. These activities are paid for with the tenants' contributions to the Common Promotional Fund ("CPF"), which is administered by Alto Palermo. Every month tenants contribute to the CPF an amount equal to approximately 15% of their rent (Fixed Monthly Minimum Rent or Variable Rent Dependent on Sales, as applicable), in addition to rent and expense payments. Alto Palermo may increase the percentage that tenants must contribute to the CPF, but the increase cannot exceed 25% of the original amount set forth in the corresponding lease agreement for the contributions to the CPF. Alto Palermo also may 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. Alto Palermo may require tenants to make these extraordinary contributions up to four times a year provided that each such extraordinary contribution may not exceed 25% of the preceding monthly rental payment of the tenant.

Each tenant leases its rental unit as a shell without any fixtures. Each tenant is responsible for the interior design of its rental unit. Any modifications and additions to the rental units must be pre-approved by Alto Palermo. Alto Palermo has the option to decide tenants' responsibility for all costs incurred in remodeling the rental units or for removing any additions made to the rental unit when the lease expires. Furthermore, tenants are responsible for obtaining adequate insurance for their rental units, which must include, among other things, coverage for fire, glass breakage, theft, flood, civil liability and workers' compensation.

### *Sources of Shopping Center Revenues*

Set forth below is a breakdown of the sources of shopping center revenues for the fiscal years ended June 30, 2009, 2010 and 2011:

<b>Type of Business</b>	<b>Accumulated Tenants' Sales as of June 30 for the fiscal periods</b>		
	<b>(in millions of Ps.)</b>		
	<b>2011</b>	<b>2010</b>	<b>2009</b>
Anchor Store	571.6	449.7	243.7
Clothes and footwear	3,801.0	2,754.2	2,148.6
Entertainment	262.8	180.2	133.8
Home	1,468.8	1,172.9	817.8
Restaurant	701.6	495.9	382.5
Miscellaneous	918.7	691.4	440.7
Services	41.8	33.9	27.1
<b>Total</b>	<b>7,766.3</b>	<b>5,778.2</b>	<b>4,194.2</b>

**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 18,701 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, 2011, the public visiting the shopping center generated nominal retail sales totaling approximately Ps. 1,100.3 million, which represents annual sales for approximately Ps. 58,839.6 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) accounted for approximately 15% of its gross leaseable area at June 30, 2011 and approximately 17.2% of its annual base rent for the fiscal year ended on such date.

**Alto Avellaneda, Avellaneda, Greater Buenos Aires.** Alto Avellaneda is a 141-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 108,598.8 square meters that includes 36,663 square meters of gross leaseable area. Alto Avellaneda has a six-screen multiplex movie theatre, a Wal-Mart megastore, an entertainment center, an 20-restaurant food court and starting in September 2011 a Zara clothing 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, 2011, the public visiting the shopping center generated nominal retail sales that totaled approximately Ps. 1,132.6 million, which represents annual revenues for approximately Ps. 30,893 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 35.4% of its gross leaseable area at June 30, 2011 and approximately 38.8% of its annual base rent for the fiscal year ended on such date.

**Paseo Alcorta, City of Buenos Aires.** Paseo Alcorta is a 110-store shopping center that opened in 1992 and is located in the residential neighborhood of Palermo Chico, one of the most exclusive areas in the City of Buenos Aires, within a short drive from downtown Buenos Aires. Paseo Alcorta has a total constructed area of approximately 87,553 square meters that consists of 13,911 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, 2011, the public visiting the shopping center generated nominal retail sales that totaled approximately Ps. 525.8 million, which represents annual sales for approximately Ps. 37,794.6 per square meter.

Principal tenants currently include Zara, Frávega, Rapsodia, Kartun and Jazmín Chebar. Paseo Alcorta's five largest tenants (in terms of sales in this shopping center) accounted for approximately 13.5% of its gross leaseable area at June 30, 2011 and approximately 16.1% of its annual base rent for the fiscal year ended on such date.

**Abasto Shopping, City of Buenos Aires.** Abasto Shopping is a 174-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 into a 116,646 square meter shopping center, with approximately 37,731 square meters of gross leaseable area (41,463 square meters including

Museo de los Niños). The shopping center includes a food court with 28 stores, a 12-screen multiplex movie theatre seating approximately 3,100 people, covering an area of 8,021 square meters, entertainment facilities and the museum for children, covering an area of 3,732 square meters (excluded from the gross leaseable area). Abasto Shopping is spread out over five levels and has a 1,200-car parking lot. In the fiscal year ended June 30, 2011, the shopping center's tenants generated nominal retail sales that totaled approximately Ps. 1,227.4 million, which represents annual sales for approximately Ps. 32,529.4. Principal tenants currently include Hoyts General Cinema, Garbarino, Zara, Frávega and Compumundo. Abasto's five largest tenants (in terms of sales in this shopping center) accounted for approximately 30.7% of its gross leaseable area as of June 30, 2011 and approximately 18.2% of the annual base rent for the fiscal year ended on such date.

***Patio Bullrich, City of Buenos Aires.*** Patio Bullrich is an 84-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, 2011, the shopping center's tenants generated nominal retail sales that totaled approximately Ps. 432.3 million, which represents sales for approximately Ps. 36,822.2 per square meter. Principal tenants currently include Zara, Etiqueta Negra, Rouge International, Cacharel and Rapsodia. Patio Bullrich's five largest tenants (in terms of sales in the shopping center) accounted for approximately 20.6% of its gross leaseable area at June 30, 2011, and approximately 22.7% of its annual base rent for the fiscal year ended on such date.

***Alto Noa, Salta, Province of Salta.*** Alto Noa is an 92-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 19,001 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, 2011, the shopping center's tenants generated nominal retail sales that totaled approximately Ps. 381.2 million, which represents annual sales for approximately Ps. 20,060.8 per square meters. Principal tenants currently include Supermercado Norte, Cines NOA, Boulevard Casino, Y.P.F., and Frávega. Alto Noa's five largest tenants (in terms of sales in this shopping center) represented approximately 50% of its gross leaseable area as of June 30, 2011 and approximately 27.5% 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 62-store shopping center intended for specialty interior, home decorating and restaurants that opened in 1993. Alto Palermo owns Buenos Aires Design through a 53.68% interest in Emprendimiento Recoleta S.A., which owns the concession to operate the shopping center. Buenos Aires Design is located in Recoleta, one of the most popular tourist zone in Buenos Aires City. Buenos Aires Design has a total constructed area of 26,131.5 square meters that consists of 13,777 square meters of gross leaseable area and 8 restaurants. It is divided into two floors and has a 174-car parking lot. In the fiscal year ended June 30, 2011, the shopping center's tenants generated nominal retail sales that totaled approximately Ps. 188.5 million, which represents annual sales for approximately Ps. 13,680.9 per square meter. Principal tenants currently include Morph, Hard Rock Café, Barugel Azulay, Bazar Geo and Las Malvinas. Buenos Aires Design's five largest tenants (in terms of sales in this shopping center) accounted for approximately 25.2% of its gross leaseable area as of June 30, 2011 and 29.7% of its annual base rent for the fiscal year ended on such date.

**Alto Rosario, Santa Fe, 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 28,646 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, 2011, the shopping center's tenants generated nominal retail sales that totaled approximately Ps. 610.9 million, which represents annual sales for approximately Ps. 21,326.8 per square meters. 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 37.1% of Alto Rosario's gross leaseable area as of June 30, 2011 and 17.9% of its annual base rent for the fiscal year ended on such date.

**Mendoza Plaza Shopping, Mendoza, City of Mendoza.** Mendoza Plaza Shopping is a 150-store shopping center located in the City Mendoza in the Province of Mendoza. It consists of 40,659 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, 2011, the shopping center's tenants generated nominal retail sales that totaled approximately Ps. 733.4 million, which represents annual sales for approximately Ps. 18,037 per square meters. 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 44.3% of its gross leaseable area at June 30, 2011, and approximately 34.7% of its annual base rent for the fiscal year ended on such date.

**Córdoba Shopping, Villa Cabrera, City of Córdoba.** Córdoba Shopping is a 108-store commercial center located in Villa Cabrera, Province of Córdoba. It covers 15,174 square meters of gross leaseable area (GLA). Córdoba Shopping has a 12-screen movie theatre complex, a food court an entertainment area and a parking lot for 1,500 vehicles. During the six-month period ended June 30, 2011, the shopping center's tenants generated nominal retail sales that totaled approximately Ps. 244.2 million, which represents annual sales for approximately Ps. 16,092.4 per square meter. Principal tenants are Cines CBA, Mc Donald's, Garbarino, Jazmin Chebar and Rapsodia. Córdoba Shopping's five largest tenants (in terms of sales in this shopping center) accounted for approximately 42.3% of its gross leaseable area as of June 30, 2011 and approximately 16.4% of its annual base rent for the fiscal year ended on such date. On July 2011, a new food court was inaugurated.

**Dot Baires Shopping, City of Buenos Aires, Buenos Aires.** Dot Baires Shopping is a shopping center that was opened in May 2009. It has 4 floors and 3 underground levels, a covered surface area of 173,000 square meters, of which 49,527 constitute Gross Leasable Area, 155 retail stores, a hypermarket, a 10-screen multiplex movie theater and parking space for 2,200 vehicles. Alto Palermo is owner of Dot Baires Shopping through an 80% ownership interest in

this shopping center. For the fiscal year ended on June 30, 2011, the shopping center's tenants generated nominal retail sales that totaled approximately Ps. 985.7 million, which represents annualized sales for approximately Ps. 19,901.5 per square meters. The main tenants include Falabella, Wal-Mart, Zara, Garbarino and Frávega. Dot Baires Shopping's five largest tenants (in terms of sales in this shopping center) accounted for approximately 46.5% of its gross leasable area as of June 30, 2011 and approximately 29.2% of its annual base rent for the fiscal year ended on such date.

***Soleil Factory, San Isidro, Province of Buenos Aires.*** On December 28, 2007, APSA and INCSA signed a letter of intent to acquire, build and manage a shopping center in a plot of land owned by INCSA, located in the City of San Miguel de Tucumán, Province of Tucumán. This transaction was contingent upon the acquisition of the Soleil Factory shopping center. Upon completion of the acquisition of the Soleil Factory on July 1, 2010, as described below, APSA was obligated to commence the construction works on the site on May 2, 2011. However, INCSA shall comply with certain obligations prior to the commencement of said works, such as (i) delivery of the title deed of the plot of land and (ii) transfer of rights and permits on the architectural project to APSA. As of the date of this annual report, these obligations have not been fulfilled and the construction works have not commenced.

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

Soleil Factory is a one-story shopping center, with a surface area of 48,313 square meters, 14,091 square meters of which are gross leaseable area, in respect of which APSA is also authorized to build more than 9,697 square meters. It comprises 74 stores and 2,335 parking spaces. Soleil Factory opened in Argentina more than 25 years ago and we are turning it into a top-brand outlet. During the fiscal year ended June 30, 2011, the public visiting the shopping center generated nominal retail sales totaling approximately Ps. 204.1 million, representing average sales for the period of approximately Ps. 14,483.2 per square meters. The main tenants include Cinemark, Cheeky, Stock Center, Dexter Outlet and Mc Donald's. Soleil Factory's five largest tenants (in terms of sales in this shopping center) accounted for approximately 41.9% of its gross leaseable area as of June 30, 2011 and approximately 32.0% of its annual base rent for the fiscal year ended on such date.

### ***Control Systems***

APSA has a computer systems to monitor tenants' sales in all of our shopping centers (except Nuevo Puerto de Santa Fé) . We also conduct regular manual audits of our tenants accounting sales records in all of our shopping centers. Almost every store in those shopping centers has a point of sale that is linked to a main computer server in the administrative office of such shopping center. We use the information generated from the computer monitoring system for statistics regarding total sales, average sales, peak sale hours, etc., for marketing purposes and as a reference for the processes of internal audit. The lease contracts for tenants in Alto Avellaneda, Alto Palermo, Paseo Alcorta, Patio Bullrich, Buenos Aires Design (only with in respect to agreements signed after its acquisition), Abasto, Alto Rosario Shopping, Alto NOA, Dot Baires, Córdoba Shopping, Soleil and Mendoza Plaza Shopping contain a clause requiring tenants to be linked to the computer monitoring system, there being certain exceptions to this requirement.

## **Related Business**

### ***Consumer financing segment***

APSA operates a consumer financing business through its wholly-owned subsidiary Metroshop and its affiliate Tarshop. On December 29, 2009, APSA entered into an agreement to sell shares representing 80% of Tarshop's stock to Banco Hipotecario for US\$26.8 million, which sale was approved by the Central Bank on August 30, 2010. As a result, on September 13, 2010, APSA transferred 107,037,152 common shares of Tarshop to Banco Hipotecario, maintaining only 20% of Tarshop's capital stock. Due to this sale, the Consumer financing segment will have a less significant impact on APSA's results of operations going forward. As part of the sale, APSA agreed to not compete for 5 years in the credit card and/or consumer business in which Tarshop has a presence. APSA acquired 50% of the capital stock of Metroshop from Tarshop on May 21, 2010, and the remaining 50% from Metronec S.A. on January 13, 2011. Metroshop has agreed to sell to Tarshop S.A. its credit card portfolio comprised by delinquent accounts of less than 60 days, among other assets. As of the date of this annual report, APSA is analyzing various possibilities in order to define the future operations of Metroshop. On July 20, 2011, the general extraordinary shareholders' meeting of Metroshop S.A. unanimously approved the change of its corporate name to APSAMEDIA S.A. and the amendment of its corporate purpose to capitalize on market opportunities.

### **Development and Sale of Properties**

The acquisition and development of residential apartment complexes and residential communities for sale is one of our core activities. Our development of residential apartment complexes consists of the new construction of high-rise towers or the conversion and renovation of existing structures such as factories 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.

During fiscal year ended June 30, 2011, revenues from our Development and sale of properties segment were Ps. 341.1 million, compared to Ps. 225.6 million in the fiscal year ended June 30, 2010.

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

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

The following table shows certain information and gives an overview regarding our sales and development properties as of June 30, 2011, 2010 and 2009:



Table of Contents**Sales and Development Properties**

Developments	Date of Acquisition	Estimated / Real Cost (in thousands of Ps.) (1)	Area intended for Sale (square meters) (2)	Total Units / Lots (3)	IRSA's Effective Interest	Percentage Built	Percentage Sold (4)	Accumulated Sales (in thousands of Ps.) (5)	Accumulated Sales for the nine-month period as of June 30 of Fiscal Years (in thousands of Ps.) (6)		
									2011	2010	2009
<b>Residential Apartments</b>											
Torres Renoir <sup>(15)</sup>	09/09/99	22,861	5,383	28	100.00%	100.00%	100.00%	53,940	-	142,537	-
Caballito Nuevo <sup>(16)</sup>	11/03/97	-	6,833	118	100.00%	100.00%	81.18%	39,170	39,170	-	-
Torres de Rosario <sup>(8) (15)</sup>	04/30/99	-	4,692	80	95.59%	100.00%	3.08%	1,530	1,530	-	-
Libertador 1703 /1755 (Horizons) <sup>(14) (17)</sup>	01/16/07	399,355	44,648	467	50.00%	100.00%	100.00%	92,362	92,362	-	-
Other Residential Apartments <sup>(9)</sup>	N/A	231,677	158,747	1,660				310,128	1,599	117	3,482
<b>Subtotal Residential Apartments</b>		<b>653,893</b>	<b>220,303</b>	<b>2,353</b>				<b>497,130</b>	<b>134,661</b>	<b>259,572</b>	<b>9,900</b>
<b>Residential Communities</b>											
Abril/Baldovinos <sup>(10)</sup>	01/03/95	130,955	1,408,905	1,273	100.00%	100.00%	99.50%	238,669	1,607	5,067	9,900
El Encuentro <sup>(18)</sup>	11/18/97	-	125,889	110	100.00%	100.00%	64.24%	24,147	20,665	3,482	-
Villa Celina I, II y III	05/26/92	4,742	75,970	219	100.00%	100.00%	100.00%	14,028	-	-	-
<b>Subtotal Residential Communities</b>		<b>135,697</b>	<b>1,610,764</b>	<b>1,602</b>				<b>276,844</b>	<b>22,272</b>	<b>8,549</b>	<b>9,900</b>
<b>Land Reserves</b>											
Puerto Retiro	05/18/97		82,051	-	50.00%	0.00%	0.00%	-	-	-	-
Santa María del Plata	07/10/97		715,951	-	100.00%	0.00%	10.00%	-	-	-	-
Pereiraola	12/16/96		1,299,630	-	100.00%	0.00%	100.00%	46,311	-46,311	-	-
Terreno Rosario <sup>(8) (19)</sup>	04/30/99		31,000	-	95.59%	0.00%	100.00%	34,003	22,931	-	7,600

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Terreno										
Caballito	11/03/97	7,451	- 100.00%	0.00%	100.00%	52,658	52,658			-
Neuquen <sup>(8)</sup>	07/06/99	4,332	1 95.59%	0.00%	100.00%	9,102	9,102			-
Terreno Baicom	12/23/09	6,905	- 50.00%	0.00%	0.00%	-	-			-
Canteras Natal										
Crespo	07/27/05	4,300,000	- 50.00%	0.00%	0.00%	336	63			21
Terreno Beruti										
<sup>(8)</sup>	06/24/08	3,207	- 95.59%	0.00%	100.00%	75,373	75,373			-
Pilar	05/29/97	740,237	- 100.00%	0.00%	0.00%	-	-			-
Coto Air Space										
<sup>(8)</sup>	09/24/97	24,000	- 95.59%	0.00%	0.00%	-	-			-
Torres Jardín IV	07/18/96	3,176	- 100.00%	0.00%	100.00%	11,480	11,480			-
Terreno										
Caballito <sup>(8)</sup>	10/22/98	23,389	- 95.59%	0.00%	0.00%	-	-			-
Patio Olmos <sup>(8)</sup>	09/25/07	5,147	- 95.59%	100.00%	0.00%	-	-			-
Other Land										
Reserves <sup>(11)</sup>	N/A	13,603,466	1			4,182	1,969	1,172	1,0	
<b>Subtotal Land</b>										
<b>Reserves</b>		<b>20,849,942</b>	<b>2</b>			<b>233,445</b>	<b>173,576</b>	<b>47,504</b>	<b>8,7</b>	
<u>Others</u>										
Madero 1020	12/21/95	5,069	N/A	100.00%	100.00%	100.00%	18,848	-	71	1,8
Della Paolera										
265	08/27/07									