

CRESUD INC
Form 6-K
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SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 6-K

REPORT OF FOREIGN ISSUER
PURSUANT TO RULE 13a-16 OR 15b-16 OF
THE SECURITIES EXCHANGE ACT OF 1934

For the month of June, 2012

Cresud Sociedad Anónima, Comercial, Inmobiliaria,
Financiera y Agropecuaria
(Exact name of Registrant as specified in its charter)

Cresud Inc.
(Translation of registrant's name into English)

Republic of Argentina
(Jurisdiction of incorporation or organization)

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

Form 20-F Form 40-F

Indicate by check mark whether the registrant by furnishing the information contained in this Form is also thereby furnishing the information to the Commission pursuant to Rule 12g3-2(b) under the Securities Exchange Act of 1934.

Yes No

CRESUD S.A.C.I.F. and A.
(THE "COMPANY")

REPORT ON FORM 6-K

Attached is a copy of the English translation of the Financial Statements of the Annual Report and Financial Statements corresponding to the fiscal year ended on June 30, 2012 and 2011.

Cresud Sociedad Anónima,
Comercial, Inmobiliaria, Financiera
y Agropecuaria

Annual Report and Financial Statements
for the fiscal years ended
June 30, 2012 and 2011

Cresud Sociedad Anónima,
Comercial, Inmobiliaria, Financiera y Agropecuaria

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LETTER TO SHAREHOLDERS

Dear Shareholders,

During this year Cresud has consolidated as one of the foremost agricultural players at regional level, with operations in Argentina, Brazil, Bolivia and Paraguay. Our vision of a growing world population that strongly pushes the demand for food, along with the shortage of farmable land in the globe and the attractive weather, soil and water conditions in the region, encourage us to position ourselves in Latin America as a major producer and exporter of food to the world.

For this reason, we have continued our regional expansion strategy: we have broadened operations in Brazil, Paraguay and Bolivia, on the one hand by increasing our shareholding interest in BrasilAgro (from 35.75% to 39.64%) and on the other by making progress in the development of new agricultural land which we add to our production portfolio season after season.

Apart from rolling out our strategy in the South American agricultural industry, we have also continued to increase our interest in IRSA, driven by our trust in its business and the value of our investment in it. During this year our shareholding interest reached almost 64.20% of IRSA's total stock capital. This has been a significant investment for us and we consider it to be an important part of our strategy. Indeed, IRSA has recorded an 8.7% increase in its annual revenues and a rise of 20.1% in its EBITDA. We hope that the successful implementation of its strategy will lead to positive results during 2013, a year that is sure to bring with it new challenges.

During this season we made significant achievements and addressed strong challenges as well. The region has been witness to a severe drought which, although not as tough as the one experienced during the 2008/2009 season, has affected a large portion of the core agricultural areas in South America, causing Cresud to end a season with mixed results in its various lines of business. As of year-end, the Company had harvested an aggregate of 204,489 hectares, generating a crop production of almost 1,163,159 tons. Although yields have not been the highest ones we could have obtained in the region, the area under operation has been growing year after year, mainly in the farms owned by us, inspired by our trust in this business.

As from this fiscal year, we have started consolidating BrasilAgro into our financial statements. As a result, during this period Cresud recorded Production Income for ARS 700.4 million, 72.3% higher than in the previous period, Sales from the Agriculture and cattle raising business for ARS 997.1 million, 107.6% higher than in 2011; consolidated Operating Income of ARS 654.5 million, 10% lower than in the previous period and consolidated Net Income of ARS 78.3 million, 64.7% lower than in the previous period.

The Crops segment recorded an operating loss of ARS 119.9 million, mainly reflecting the ARS 115.6 million loss from the international business, which includes the results from BrasilAgro and the operations in Bolivia and Paraguay. BrasilAgro's results generated operating losses of ARS 91.6 million, mainly due to losses from inventory holdings (ARS 51.7 million) caused by drops in prices and derivative transactions, along with higher administrative expenses which, combined with those derived from our growing operations in Bolivia and Paraguay, totaled ARS 74.6 million. We expect that part of the losses from inventory holdings will be reverted during the first quarter of fiscal year 2013 and that the good weather forecasts for the region will contribute to better results in this segment during the next fiscal year.

As concerns the lease of farms, during the last season we noted an increase in the risk-return ratio of this market, with high prices and significant risks of drought. For this reason, we were much stricter at the time of adopting lease decisions, and thus reduced the total area of lands leased in Argentina.

In this country, the Company harvested an aggregate of 91,269 hectares, with yields of 2.10 tons per hectare in soybean crops and 5.74 tons per hectare in corn crops. Total production of both leased and owned farms in Argentina

reached 385,739 tons compared to 408,404 tons in the previous season. In Brazil, we reached an area of 63,410 hectares allocated to agriculture, a great achievement for an operation that is concluding only its fourth agricultural season. The outstanding performance of sugarcane production, which reached 576,048 tons during the last season, has been noteworthy. In Paraguay, where we have entered into a joint venture with Carlos Casado, we achieved yields of 1.41 tons per hectare in the production of soybean (the main crop in these fields). Finally, as concerns our operations in Bolivia during this season we managed to improve production levels in our farms thanks to the experience gathered in our operations in this region, as we harvested 23,048 hectares (including double crops) with soybean yields close to 2.04 tons per hectare.

As part of our regional positioning, during this fiscal year we started FOB (free on board) sales operations from Argentina. This allows us to obtain better prices for our products and to improve our margin vis-à-vis sales made in the domestic market. To this end, we have developed a new foreign trade area aimed at further increasing profitability of our grain production business, whilst improving efficiency and saving costs.

In connection with land transformation, Cresud has developed 27,200 hectares in the region during this fiscal year. In Argentina, we continued increasing the production area in our land portfolio, adding 3,340 hectares in “Los Pozos” farm, 682 hectares in “La Suiza” farm and 2,236 hectares in ANTA farm. We plan to add 3,749 hectares in the next season and to start developing 7,634 new hectares. In Brazil, during the last fiscal year an aggregate of 9,000 hectares was developed in various farms owned by the company, and we expect to keep up this rhythm by developing 15,504 additional hectares during the 2012/2013 season. Our operations in Paraguay continue to grow year after year thanks to our development of lands in the Chaco Paraguayo area, where we were pioneers in the production of soybean. In our farm located in this region, we added 1,347 hectares to the area under operation and we expect to add 3,187 more hectares during the next season. In Bolivia, up to now, we have only purchased already developed farms; we are working on improving yields relying on our management’s contribution to the operations and we are developing sugarcane production. In this way, during this fiscal year we sold farms acquired in 2008, obtaining gains yielding IRR close to 28%.

During the last two years we carried out a consolidation process in our milk business, concentrating operations in our “El Tigre” dairy farm located in La Pampa, Argentina. This farm has top-notch facilities and a milking capacity of 2,600 cows per day. During 2012, it produced 16.6 million liters of milk with an average of 2,112 milking cows per day. We have achieved good production levels with controlled costs. On the other hand, our beef cattle breeding and fattening business has had a good year, thanks to the rise in beef prices recorded in the Argentine market during this fiscal year. We have taken advantage of this trend and realized profits by selling part of our stock. In this way, our stock decreased from 79,512 heads at the closing of fiscal year 2011 to 65,619 heads at the closing of this fiscal year. We still have one of the largest herds in Argentina and play a leading role in the domestic market.

However, the rise in beef cattle wholesale prices has presented major challenges to our management in the meat packing business. During this fiscal year, operations were threatened by the effects of the higher costs of supplies (cattle heads) and certain difficulties to carry out sales transactions due to the restrictions on beef exports in place in Argentina. In line with this, after a series of capital contributions and finally through a mutual agreement, we became the only shareholder of the cold storage plant, thus ending our partnership with Tyson Foods. We decided to carry on operations and we expect to be able to revert the complications derived from an unfavorable environment.

Given the difficulties faced by our cold storage plant in exporting its products abroad, during fiscal year 2011 it had to redirect its sales strategy and increase its participation in the domestic market. In this market, other competitors are in a more favorable position because they do not apply the quality standards to which we are subject. For this reason, we had to adopt the difficult decision to cease operations effective December 2011.

Finally, after various negotiations and agreements with the Argentine Government, the Government of the Province of La Pampa and the Beef Workers’ Union of La Pampa, we agreed upon new conditions for our cold storage plant to resume operations and restart activities since August 2012. We hope that in the future market conditions will be more

favorable, allowing this sector to be profitable again.

With respect to our activities in the capital markets, during this fiscal year we carried out two transactions that are worthy of note because of their significance in both the financial markets and our business proper. On the one hand, we were the first agricultural company to issue notes in the global capital markets. The deal was closed in September 2011, and involved the issuance of our series VIII notes for USD 60 million due in 2014. On the other hand, in June 2012, we issued series IX, X and XI notes in the Argentine market for a total principal amount of ARS 383.1 million, a record figure.

Our group has always been characterized for its fine relationship with the financial market and its significant footprint in the Argentine and global markets. This relationship of more than 20 years has allowed us to expand and finance our businesses. In line with this, during this fiscal year we paid again to our shareholders a cash dividend.

Moreover, although we are always subject to the risks inherent in the agricultural business, unlike the past season in which the “La Niña” weather effect caused droughts throughout our region, in the 2012/2013 period we expect to suffer the effects of “El Niño”, which produces higher than usual rainfall levels. In the whole region, we plan to plant 214,561 hectares. We expect that yields in the next season will be better than in the past one, and that thanks to our land development activities we will be able to make progress in transforming our large regional portfolio, which is of such an extent that, should we intend to keep up the rate of development of the past years, we would be able to develop lands without need of acquiring any new properties for another 8 years. Moreover, in the past months there has been a severe drought in the agricultural region of the United States, probably the worst in its history. This drought coincides with the planting period and critical development stage of its traditional crops, such as corn and soybean. Therefore, the international commodity markets have experienced sharp increases in the prices of those crops which are exported from our region and many of which are produced by us. We believe that this harmful situation for the U.S. region gives us the opportunity to obtain high profits from our operations and encourages us to keep on growing.

Not only does this event impact on us positively, but it also generates more favorable macroeconomic environments in the countries in which we operate. In particular, we hope that the Argentine economy will be healthy, favoring the business of our subsidiary IRSA.

With a future that presents challenges and opportunities alike, we believe that the commitment of our employees, the strength of our management and the trust placed on us by our shareholders will be key elements in our ability to continue growing and successfully implementing our strategy. To all of you, my most sincere thanks.

City of Buenos Aires, September 10, 2012.

Alejandro G.
Esztain
Second
Vice-Chairman
acting as
Chairman

Our 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 medium or long-term value appreciation and selectively disposing of properties subsequently 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 held through our affiliate IRSA.

To such end, we seek to:

Focus on maximizing value of our agricultural real estate assets.

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

Acquiring under-utilized properties and enhancing their land use:

We seek to purchase under-utilized properties at attractive prices and develop them to achieve more productive uses. We seek to do so by:

- (i) transforming non-productive land into cattle feeding land,
- (ii) transforming cattle feeding land into land suitable for more productive agricultural uses,
- (iii) enhancing the value of agricultural lands by changing their use to more profitable agricultural activities; and
- (iv) reaching to the final stage of the real estate development cycle by transforming rural properties into urban areas as the boundaries of urban development continue to extend into rural areas.

To do so, we generally focus on acquisitions of properties outside of highly developed agricultural regions and/or properties whose value we believe is likely to be enhanced by proximity to existing or expected infrastructure.

Applying modern technologies to enhance operating yields and property values.

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

Anticipating market trends.

We seek to anticipate market trends in the agribusiness sector by:

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

International expansion.

Although most of our properties are located in different areas of Argentina, we have begun a process of expansion in other Latin American countries. We believe that an attractive opportunity exists to acquire and develop agricultural properties outside Argentina, and our objective is to replicate our business model in such other countries which include, among others, Brazil, Bolivia, Paraguay and Uruguay. For example, in 2005 we and several Brazilian partners founded BrasilAgro. As of June 30, 2012, BrasilAgro had 8 properties totaling 172,671 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, since fiscal year 2009, Cresud entered into a number of agreements to formalize its positioning in South American countries. At June 30, 2012, the Company 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 state-of-the-art technology to increase production yields. We plan to make further investments in machinery and the implementation of agricultural techniques such as direct sowing to improve cereal production. We believe that we may improve crop yields by using high-potential seeds (GMOs) and fertilizers and by introducing advanced land rotation techniques. In addition, we intend to continue installing irrigation equipment in some of our farms to achieve higher output levels.

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

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

In connection with our milk production, we plan to continue developing our activities through the use of state-of-the-art technology and advanced feeding and techniques relating to animal health.

Increased production.

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

- Increasing our owned land in various regions of Argentina by taking advantage of attractive land purchase opportunities as they arise.
- Leasing productive properties to supplement our expansion strategy, using our liquidity to make productive investments in our principal agricultural and livestock activities. We believe that leasing enhances our ability to diversify our production and geographic focus, in particular in areas not offering attractive prospects for appreciation of land value.
- Developing properties in areas where agricultural and livestock production is not developed to its full potential. As of June 30, 2012, we owned 350,249 hectares of land reserves and held approximately 109,617 hectares under concession, as reserves for future developments. 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 allocated 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 seed a range of diversified products. Moreover, we believe that continuing to expand our agricultural operations outside of Argentina will enhance our ability to produce new agricultural products, further diversifying our mix of products, and mitigate further our exposure to regional weather conditions and country-specific risks.

Preservation of long-term value of our investment in IRSA.

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

Macroeconomic Context

International Outlook

During 2011, the global economy continued its recovery after the 2008 financial crisis. According to International Monetary Fund (“IMF”) data, in the year 2011, the world’s Gross Domestic Product (“GDP”) rose 3.9% and accumulated an annualized growth of 3.6% in the first quarter of 2012. GDP in the developed countries increased 1.6% in 2011, whereas in the developing countries’ markets, it soared 6.2%.

During fiscal year 2012, the financial markets’ outlook was gloomy. At global level, the MSCI All Countries index dwindled by 8.68% when measured in US Dollars; the MSCI World (representative of developed markets) dropped 7.99% whilst the MSCI Emerging Markets fell 17.87%. Except for the S&P500, which rose 4.04%, the performance of most of the markets was negative: the FTSE 100 fell by 5.13%, the Nikkei by 7.81%, the Bovespa by 11.96% and the Merval by 28.85%.

According to the IMF, inflation at global level was 4.5% in 2011, 1 percentage point higher than in 2010. In line with the growth rate observed, inflation in the emerging markets was 7.1%, higher than the one recorded in developed countries, which stood at 2.7%.

During 2011 and the first six months of 2012, the commodities markets were uneven. On the one hand, the GSCI All Metals Industrial index shows that metal prices fell 20.56% in 2011 and 7.24% in the first six months of 2012. The price of energy, as measured by the GSCI Energy index, increased 11.4% in 2011 and shrunk by 5.54% in 2012. Finally, the GSCI Agriculture saw a decline in the prices of agricultural commodities, which dropped 14.12% in 2011, a trend that was substantially reverted in 2012 as they increased 22.27%.

According to the IMF, the improvement in the USA’s activity levels during the second half of 2011 and the adoption of adequate policies in the eurozone in response to the deepening of the economic crisis reduced the threat of a sharp global deceleration. However, the IMF estimates that world growth will contract from 3.9% in 2011 to 3.5% in 2012 but will then recover until reaching a growth rate of 4% in 2013. It is estimated that due to the problems in Europe, activity levels will continue to be in the doldrums for developed economies as a group, where expansion will reach only 1.5% in 2012 and 2% in 2013.

On the side of the emerging economies, the real GDP growth rate is expected to decelerate from 6.2% in 2011 to 5.75% in 2012, and then rebound until reaching 6% in 2013 (thanks to the implementation of more lenient macroeconomic policies and the strengthening of external demand).

The IMF considers that the most immediate concern continues to be the chance that the deepening of the crisis in the eurozone could lead to a massive run to lower-risk assets. Other latent risks are presumed to be the disturbances in the world bond and currency markets due to the budgetary deficits in Japan and the United States and the plunging of certain emerging economies.

One of the most noteworthy policy responses adopted during the last fiscal year was the recent decision to combine the European Stability Mechanism (ESM) with the European Financial Stability Facility (EFSF), a positive fact that will strengthen the European mechanism for controlling the crisis. In the United States and Japan, the fiscal tightening policy to be

implemented in the short term appears to be enough; yet, it is still necessary to set targets that help achieve sound and sustained fiscal consolidation in the medium and long term.

Looking ahead, the main challenges for developed countries are focused on making further progress in consolidating fiscal accounts (including a sweeping reform in social security systems) and making structural reforms to stimulate potential output.

As concerns the emerging or developing economies, the main challenges are adequately calibrating economic policies to withstand the significant deceleration risks coming from developed economies. Another priority is to prevent economic overheating due to the strong credit growth, volatile cash flows, still high levels of raw material prices and the reemergence of energy price risks that impact on inflation and fiscal balances.

The Argentine Economy

As concerns the Argentine economy, during 2011 the GDP maintained the high growth rate experienced in 2010 (when it increased 9.2%). According to the Ministry of Economy, while in the third quarter of 2011 it recorded a year-on-year growth of 9.3%, during the fourth quarter a slight deceleration was observed, translated into a 7.3% growth rate. In this way, in 2011 GDP grew by 8.9%. In the year to date, a deceleration in economic activity levels is noted, although the same positive trend is maintained. For the first 5 months of 2012, the Monthly Economic Activity Estimator (EMAE), usually used to predict the GDP, recorded a year-to-date increase of 3% compared to the same period in the previous fiscal year, showing a downward trend.

Once again, the main component of aggregate demand that largely explains the growth in activity levels has been private consumption, along with the increase in purchasing power. In this regard, private consumption recorded an annual growth of 10.7% in real terms, accounting for 66.1% of the GDP.

On the side of supply, during the second half of 2011 there was an annual deceleration in the goods-producing industries, whose main sectors, industry and construction, were the ones most severely affected. In turn, agricultural production fell for the third consecutive quarter.

In connection with the labor market, in 2011 the unemployment rate declined slightly to 6.7% of the active population, compared to 7% in 2010. On the salary side, the average salary in the Argentine economy accumulated a 29.45% raise in 2011, way above the official figures for retail inflation and even private sector inflation estimates. According to the INDEC's salary index, the accumulated increase in the first half of 2012 was 11.53%.

In 2011, Argentina's fiscal situation deteriorated slightly as compared to 2010. Although the primary balance was still a ARS 4,920.6 million surplus (0.3% of GDP), this figure was far below the ARS 25,115 million recorded in 2010. On the other hand, fiscal deficit reached ARS -30,663.9 million (-1.7% of GDP).

Argentina's external sector showed a surplus trade balance during 2011, with exports for USD 83.9 billion and imports for USD 73.9 billion according to official data. The negative balances for the third and fourth quarters curbed the current account surplus for 2011 to almost nil, ending with a positive balance of only USD 17 million.

During fiscal year 2011, Argentina's country risk as measured by its five-year Credit Default Swap ("CDS") for senior USD-denominated indebtedness increased significantly, maintaining a spread that is high when compared to the most solid countries in the region, Brazil and Chile. The surcharge Argentina pays for its debt stood at 1,238 points as of July 2012, compared to

Brazil's 150 points and Mexico's 141 points. The difference between the CDS in Argentina and Brazil or Mexico is high compared to historical values.

In the local financial markets, the international uncertainty combined with the repercussion of certain political measures adopted by the federal government led to fluctuations in the rate of bank deposits at 30 days, showing a slight increase from 9.43% as of July 2011 to levels close to 11.87% for June 2012. In turn, the Private Badlar rate in pesos increased from 11.37% to 13.25%.

As in the past years, the BCRA continued its controlled flotation policy. The foreign exchange rate depreciated by 10% in the period June 2011 through June 2012 and the level of reserves was maintained at USD 46.3 billion (a reduction of USD 5,769 million compared to the previous year).

Mention should be made of the current status of Argentina's gross sovereign debt: according to data from the Ministry of Economy, as of December 31, 2011 it amounted to USD 178,963 million (41.8% of Argentina's GDP). During 2011, sovereign debt as a percentage of GDP decreased by 3.5 percentage points as compared to 2010. This reduction was basically led by the dynamics with the private sector, which recorded a fall of USD 5,524 million in its stock of debt for 2011 as compared to 2010. In this way, the stock of debt held by the private sector stood at 13.5% of the GDP, representing a fall of 4 percentage points as compared to 2010.

(*) As of Dec '02, the Debt held by the Private Sector was estimated to be 127% of GDP.

Source: Argentine Ministry of Economy

As of December 31, 2011, the composition of Argentina's sovereign debt was as follows: 53.8% was held by governmental agencies, 13.9% by multilateral and bilateral credit agencies, while the remaining 32.3% corresponded to private-sector portfolio financing (mainly government securities).

During 2011, the multilateral real exchange rate was also affected by the difference between the depreciation of the Peso compared to the basket of currencies that make it up and the inflation sustained by the Argentine economy. There was a 0.7% appreciation, deflated by INDEC's CPI; yet, the figures released by private sources point to an even higher real appreciation. The Peso/U.S. Dollar real exchange rate experienced a 1.4% depreciation, whereas the Peso appreciated 3.75% vis-à-vis the Brazilian currency.

According to official data, Gross Domestic Fixed Investment (“GDFI”), measured in real terms, was in the region of 24.45% of GDP for 2011 with the following distribution: 10.51% for the durable goods sector and 12.33% for the construction sector.

The use of industrial installed capacity was 73.1% in May 2012, 5% lower than the level posted in the same month of 2011. In general, the sectors that experienced the worst performance were the automobile manufacturers (with a 17% fall) and the mechanic steel industry (which recorded a 12% decrease in the use of installed capacity).

Agriculture and Cattle Raising Sector in Argentina

Argentina has positioned itself over the years as one of the world's leading food producers and exporters. It is the second largest country in South America after Brazil and has particularly favorable natural conditions for diversified agricultural production: vast extensions of fertile land and varied soil and weather patterns.

During the decade of the nineties, the Argentine agriculture and cattle raising industry experienced sweeping changes, such as a significant increase in production and yield (thanks to a sustained agricultural modernization process), relocation of production (crops vs. livestock) and a significant restructuring process within the industry, as well as land concentration. Taking advantage of a favorable international context, the agriculture and cattle raising sector has been one of the major drivers of the Argentine recovery after the economic and financial crisis of 2002.

Wheat

In its latest report, the International Grains Council estimated that the world's production of wheat will be 685 million tons (5 million less than in the previous season). On the other hand, the USDA (United States Department of Agriculture) estimated that the world's stocks of wheat lowered to 209.58 million tons from 213.1 million tons.

According to the monthly report released by CREA (Regional Agricultural Experimental Associations), as concerns wheat, the news for the 2011-12 season is focused on exports by the Eastern European countries, mainly Russia, which could impose export duties or restrict foreign sales due to the high speed of grain exports. According to USDA estimates, Russian exports would be record high, and for this reason rumors have spread that exports will be closed. If these rumors are confirmed, against the governmental authorities' reassurances to the contrary, the American wheat could be demanded again, after a sustained loss of competitiveness during the last months.

In the local sphere, the most important news has been the increase in the export quota for the 2011-12 season, which has reached a total of 9.6 million tons. In this way, pursuant to CREA reports, the supply and demand conditions are as shown in the table below. With a production of 13.7 million tons and beginning stocks of 3.7 million, total supply for the 2011/12 season is 17.5 million tons. As concerns consumption, 6.4 million are deemed to be processed locally, whereas 700 thousand tons are allocated to seed. If we add the authorization to export 9.6 million tons, the remaining final stock would be 900 thousand tons.

Argentine Wheat Supply/Demand

Season	11/12	10/11
Data in millions of tons as of:	03-07-12	03-09-11
Supply	17.5	16.4
Beginning stock	3.7	1.4
Production	13.7	15.0
Planted area (millions of hectares)	4.60	4.43
Yield (t/ha)	3.05	3.45
Demand	16.6	13.5
Export (authorized balance)	9.6	7.0
Internal consumption	7.0	6.5
Milling	6.4	5.9

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Allocated to seed	0.7	0.6
Final Stock	0.9	2.9

Source: CREA based on Ministry of Agriculture and Bolcereaes data.

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According to the Buenos Aires Cereal Exchange, the Argentine average yield was 31.6 hundredweight per hectare; for the Ministry of Agriculture, the yield was 29.7 hundredweight per hectare; and for the Rosario Stock Exchange it was 29.2 hundredweight per hectare.

The 2012-13 season was officially estimated by the USDA's latest report as slightly bullish in terms of prices, as world production is expected to be lower than in the past season. The USDA estimated a world production of 665.33 million tons and final stocks of 188.13 million tons, compared to 694.69 and 206.27 million tons in the previous cycle.

The following chart shows the main exporting countries. The second column shows the changes in production estimated by the USDA for this new cycle as compared to the 2011-12 season, whereas the orange bar shows each country's share in world exports.

In the local sphere, the USDA forecasts a production of 14 million tons for the 2012-13 season. According to data from the Bahía Blanca Cereals and Commodities Exchange, 3.9 million hectares will be planted with wheat, representing a fall of 15% compared to the previous season. The following chart shows the steady decrease in the area allocated to wheat from 1910 onwards.

Corn

According to USDA data, the world's corn production reached 873.7 million tons, an increase of 5.37% compared to the production for the previous season.

By mid August, local corn planting reached 86.1% of the apt land, reflecting a year-on-year decrease of 2.8%. The domestic mean yield, of 52.1 hundredweight per hectare, allowed to accumulate a partial volume of more than 15.7 million tons. Faced with this scenario, the Exchange maintains its final output projection at 19.3 million tons. In its latest monthly report, the USDA maintained unchanged the crop volumes forecasted for Argentina, estimated at 21 million tons for the 2011-12 season. As a result, the 2011-12 season would leave an export balance of 16 million tons. However, as most of the export balance for 2011-12 has already been traded and the consumption share is almost nil, the local market continues to focus on the corn for the next season.

USDA projections for the 2012-13 season estimate that world production would reach 905 million tons, with an average yield of 5.16 tons per hectare. In the case of Argentina, the planted area is expected to remain steady at 3.4 million hectares, although production will increase to 25 million tons.

Soybean

The main concern during the 2011-12 season were the weather conditions, and in particular the drought experienced by South American countries and the United States. According to the USDA's latest report published in July 2012, the world soybean production contracted by 11% as compared to the 2010-11 season, falling to 235.88 million tons.

Argentina was one of the countries that was most severely affected by the drought in South America. During the 2011-12 season, total production amounted to 41 million tons (down from 49 million tons in the previous season).

As concerns projections for the 2012-13 season, the USDA estimated that the world production would be in the whereabouts of 267.16 million tons (13% higher than in the previous season). Yet, according to Oil World, the excessive heat conditions affecting the US soybean crops, coupled with the small production recorded in South America during this year, could cause the global supply of soybean to be too small to satisfy the demand for the next months. This shortage in supply for the next months is one of the main factors that contribute to the formation of prices in the international grains market.

The USDA estimates that Argentina's soybean production will increase by 14 million tons, reaching 55 million tons. This increase is expected to result from both an expansion in the land allocated to soybean and a higher average yield (that would reach 2.79 million tons per hectare).

Beef Cattle

According to FAO (Food and Agriculture Organization) projections, factors such as lower stocks of cattle due to the droughts suffered in 2011, the high feed prices, and outbreaks of animal diseases have underpinned international beef prices, which have remained at record levels during the past times. In April, the FAO's beef price index reached 182 points, surpassing the record of 181 points recorded in November 2011. However, the FAO reports that signs of a deceleration in the demand for imports are being observed, mainly as concerns pigmeat, which would imply weakened international prices.

According to FAO's estimates, the world beef production reached 297.2 million tons in 2011 and will maintain a slight growth trend during 2012, with a projected production of 302 million tons.

In the case of Argentina, the FAO estimates that despite the closing down of approximately one quarter of the slaughtering houses during the past 3 years, beef production reached 4.72 million tons in 2011. Projections for 2012 point to approximately 4.88 million tons.

Argentina is one of the largest producers and exporters of cattle beef in the world. According to the FAO's latest report, during 2011 cattle beef production in Argentina reached 2.53 million tons, and it will increase to 2.6 million in 2012. In line with the growth in production, the FAO estimates that cattle beef exports will increase from 220 thousand tons in 2011 to 231 thousand tons in 2012.

Milk Sector

The FAO's latest report shows that the world production of milk will increase from the current level of 730.1 million tons in 2011 to 749.5 million tons in 2012. These figures are way above the average value of 702 million tons recorded during the 2008-2010 period.

Most of this increase is expected to derive from Asia, mainly India (the world's largest producer of milk), which will increase production by 5.2 million tons until reaching a total production of 127 million.

In the case of Argentina, the 12 million ton production recorded in 2011 is expected to increase to 12.5 million in 2012, while exports of dairy products will rise from 2.2 million tons in 2011 to 2.4 million tons in 2012.

Business Description

Our Company

We are a leading Latin American agricultural company engaged in the production of basic agricultural commodities with a growing presence in the agricultural sector of Brazil, through our investment in BrasilAgro—Companhia Brasileira de Propriedades Agrícolas (“BrasilAgro”), as well as in other Latin American countries. We are currently involved in several activities including crop production, beef cattle raising and milk production. Our business model focuses on the acquisition, development and exploitation of agricultural properties having attractive prospects for agricultural production and/or value appreciation and the selective sale of such properties where appreciation has been realized. Our shares are listed on the Buenos Aires Stock Exchange (“BCBA”) and the NASDAQ.

As of June 30, 2012, we owned 33 farms with approximately 645,815 hectares distributed in Argentina, Brazil, Bolivia and Paraguay. Approximately 185,925 hectares of the land we own are used for crop production, approximately 83,360 hectares are for beef cattle production, 85,000 hectares are for sheep production, 3,022 hectares are for milk production and approximately 11,748 hectares are leased from third parties for crop and cattle beef production. The remaining 350,362 hectares of land reserve are primarily natural woodlands. In addition, we have the rights to hold approximately 132,000 hectares of land under concession for a 35-year period that can be extended for another 29 years. Out of this total, we have developed 22,383 hectares for crop production. Also, during fiscal year 2012 ended on June 30, 2012, we leased 42,515 hectares from third parties for crop production and 12,635 hectares for beef cattle production.

During the fiscal years ended June 30, 2011 and 2012, we had consolidated sales of ARS 2,133.8 million and ARS 2,757.4 million, production income of ARS 406.5 million and ARS 700.4 million and consolidated net income of ARS 221.9 million and ARS 78.3 million, respectively. During the fiscal years ended June 30, 2011 and June 30, 2012, our total consolidated assets increased 0.35% from ARS 9,721.0 million to ARS 9,755.2 million, and our consolidated shareholders’ equity decreased 1.8% from ARS 2,101.7 million to ARS 2,063.3 million.

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

	Land Use				
	Fiscal Year ended June 30,				
	2008	2009	2010	2011	2012
	(1) (6)(7)(11)	(1) (6)(7)(8)(11)	(1) (6)(7)(8)(11)	(1) (6)(7)(8)(9)(10)(11)	(1) (6)(7)(8)(9)(10)(12)
	in hectares				
Crops (2)	63,900	115,411	104,627	126,178	185,925
Beef Cattle (3)	123,935	128,859	105,857	102,279	95,995
Milk	4,320	4,334	4,900	2,571	3,022
Sheep	90,000	100,911	100,911	100,911	85,000
Natural woodlands (4)	383,573	356,796	343,153	339,744	459,979
Owned farmlands leased to others	8,467	8,317	11,049	14,026	25,538
Total (5)	674,195	714,628	670,497	685,709	832,964

- (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, 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 hectares were leased for beef cattle production. As of June 30, 2010, 42,696 hectares were leased for agricultural production and 12,635 hectares 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. As of June 30, 2012, 42,515 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 or 50 hectares of "El Recreo" farm, which were sold in fiscal year 2007.
- (7) Does not include 4,974 hectares of "Los Pozos" farm or 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 our subsidiary Cresca S.A. Does not include 1,658 hectares of "Los Pozos" farm sold in April 2009. Does not include 30,000 hectares of Agropecuaria Anta S.A. which were returned due to the reduction in the concession scope established by Decree No. 3766 of the Executive Branch of Salta. Includes 48% of the 170 hectares owned by Cactus Argentina S.A. Does not include 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.
- (11) Does not include BrasilAgro.
- (12) As from fiscal year 2012, it includes BrasilAgro.

In September 2005, we, together with other Brazilian partners, founded BrasilAgro, a company organized to exploit opportunities in the Brazilian agricultural and cattle raising sector. In April 2006, BrasilAgro increased its capital through a global and domestic offering of common shares. As of June 30, 2012, we owned 39.64% of the outstanding common shares of BrasilAgro. Through this company we control 8 farms, extending over a total surface area of 172,671 hectares allocated to the production of sugarcane, corn, soybean and timber.

In 2008 we started to operate in Bolivia acquiring four parcels of land in the area of Santa Cruz de la Sierra. Besides, in 2011 we acquired two parcels of land, extending our operations, and we sold a portion of a farm generating appreciation values over 40%. As of June 30, 2012, we had a total of 31,260 hectares intended for agriculture (including double crops) in that country.

Under a joint venture with Carlos Casado S.A., known as Cresca (in which we hold a 50% interest), we acquired a farm in Paraguay along with the option to purchase up to 100,000 hectares for the purpose of developing agricultural and cattle raising operations. As of June 30, 2012, Cresca had 1,084 hectares intended for beef cattle, 8,378 hectares intended for agriculture and 36,116 hectares of natural woodlands for future developments.

We are also directly engaged in the Argentine real estate business through our subsidiary IRSA, one of Argentina's leading real estate companies. IRSA is engaged in the development, acquisition and operation of shopping centers, premium offices, and luxury hotels in Argentina, as well as the development of residential properties. A majority of our directors are also directors of IRSA.

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.

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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 (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 made a capital increase for 180 million shares, in which 100% of the shares offered were subscribed locally and internationally.

In 2005, we organized BrasilAgro together with other partners, in order to replicate our business in Brazil. BrasilAgro is engaged mainly in four business segments:

- (i) sugarcane;
- (ii) grains and cotton;
- (iii) forestry activities; and
- (iv) livestock.

In May 2006, BrasilAgro's shares became listed in the Novo Mercado of the Brazilian Stock Exchange (BOVESPA) with the symbol AGRO3.

After a series of transactions and agreements, we have concluded the shareholders' agreements with our partners and currently hold a 39.64% interest in BrasilAgro's stock capital. As from fiscal year 2011, we present our financial statements in consolidated form with BrasilAgro's.

As part of a series of transactions that implied a further expansion of Cresud's agriculture and cattle-raising business in South America, in July 2008, Cresud purchased, through various companies, 12,166 hectares located in Santa Cruz de la Sierra, Republic of Bolivia for a total price of USD 28.9 million. In June 2011, two parcels located in the same region were purchased, with a total area of approximately 5,000 hectares intended for agriculture. In addition, in that same month the sale of a 910 hectare parcel of land allocated to agriculture was agreed upon, for a total price of USD 3.6 million, equivalent to USD 4,000 per hectare, which had been purchased in 2008 for a price of USD 2,300 per hectare.

On the other hand, in September 2008, Cresud entered into a series of agreements for accessing the real estate, agricultural and cattle raising and forestry markets of the Republic of Paraguay. Under these agreements, a new company was organized together with Carlos Casado S.A., named Cresca S.A. in which Cresud holds a 50% interest and acts as adviser for the agricultural, cattle raising and forestry exploitation of a 41,931 hectare rural property and up to 100,000 additional hectares located in Paraguay under a purchase option already exercised, whose title deed is to be executed in the name of Cresca in 2013.

As of June 30, 2012, we had invested approximately ARS 981.0 million to acquire 64.20% of the outstanding common shares of IRSA. Between December 2007 and June 30, 2012, we acquired 172,144,937 shares of IRSA, increasing our interest to 64.20% at the closing of fiscal year 2012. As from October 1, 2008, Cresud presents its financial statements in consolidated form with IRSA's.

Our Principal Business Activities

During the fiscal year ended June 30, 2012, we conducted our operations on 33 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 fiscal years indicated, our production volumes by principal product line:

	Production of Primary Agricultural Products				
	Fiscal Year ended June 30,				
	2008	2009	2010	2011	2012
	(1)(5)	(1)(5)	(1)(5)	(1)(5)	(1)(6)
Crops (2)	198,146	237,031	322,616	466,910	606,201
Sugarcane	-	-	-	-	576,048
Beef Cattle (3)	8,786	7,112	3,153	6,519	9,000
Milk (4)	20,825	20,898	21,690	19,605	16,563

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

(2) Production measured in tons.

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

(4) Production measured in thousands of liters.

(5) Does not include BrasilAgro.

(6) As from fiscal year 2012, it includes BrasilAgro.

Product (in tons)	Stock	Fiscal Year	Fiscal Year	Stock as of
	as of	2012	2012 Sales	06/30/2012
	06/30/2011	Production	2012 Sales	06/30/2012
	(1)	(3)	(3)	(3)
Wheat	4,259	18,269	20,746	6,350
Corn	45,691	250,435	224,481	86,297
Sunflower	7,151	14,503	18,095	3,501
Soybean	56,707	199,559	251,218	45,009
Sugarcane	-	576,048	636,335	45,819
Milk(2)	-	16,563	16,267	-
Beef	27,105	9,000	15,437	22,882

(1) Does not include BrasilAgro.

(2) In thousands of liters.

(3) Includes BrasilAgro.

The following chart shows, for fiscal year 2012, the surface area in operation for each line of business:

- Does not include Agro Uranga S.A. (35.72% over 8,299 hectares).

The following chart illustrates, for the fiscal year ended on June 30, 2012, the surface area in operation and the hectares held as land reserves, classified into own, under lease or under concession:

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- Does not include Agro Uranga S.A. (35.72% over 8,299 hectares).

Crop Production

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

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

	Crop Production				
	2008(1)	2009(1)	2010(1)	2011(1)	2012(2)
	Fiscal Year ended June 30, (in tons)				
Wheat	21,583	21,375	11,636	16,386	18,269
Corn	94,021	110,149	127,060	171,614	250,435
Sunflower	9,283	13,030	7,641	13,512	14,503
Soybean	59,479	76,893	126,956	154,008	199,559
Sugarcane	-	-	-	-	576,048
Other	13,780	15,584	49,323	111,391	123,435
Total	198,146	237,031	322,616	466,910	1,182,249

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

(2) Does not include production from Agro Uranga S.A. Includes BrasilAgro.

Out of the total production of 1,182,249 tons recorded during this fiscal year, the crop farms located in Argentina contributed 385,739 tons, the crop farms located in Brazil contributed 732,967 tons (including sugarcane), the farms located in Bolivia contributed 58,280 tons and the farms located in Paraguay contributed 5,262 tons. However, as of the end of the fiscal year, harvesting had not been completed, estimating a total production of approximately 474,230 tons of grains and 830,448 tons of sugarcane. This delayed effect, which will be recognized in the next fiscal year, mainly affects corn and results from the rotation in the portfolio of Argentine own farms and leased farms experienced in the last years, as the weighting of farms located in the north of Argentina has increased.

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

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Sown Land for Crop Production

Fiscal Year ended June 30,

2008(1)(2)(3) 2009(1)(2)(3) 2010(1)(2)(3) 2011(1)(2)(3) 2012(1)(2)(4)
(in hectares)

Owned	25,379	43,193	47,448	59,122	132,607
Leased	30,449	59,615	42,696	52,205	44,494
Under Concession	3,811	8,067	10,816	10,401	8,778
Total	59,639	110,875	100,960	121,728	185,879

(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 Cresud on July 1, 2010.

(3) Does not include BrasilAgro or Agro Uranga S.A.

(4) Includes BrasilAgro. Does not include Agro Uranga S.A.

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

	Fiscal year ended June 30,			
	2011(1)		2012(2)	
	Hectares sown (ha)	Production (tn)	Hectares sown (ha)	Production (tn)
Wheat	9,419	16,386	9,247	18,269
Corn	48,802	171,614	62,055	250,435
Sunflower	7,833	13,512	10,093	14,503
Soybean	60,928	154,008	104,834	199,559
Sugarcane	-	-	11,298	576,048
Other	15,828	111,391	24,360	123,435
Total	142,810	466,910	221,886	1,182,249

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

(2) Does not include hectares from Agro Uranga S.A. Includes BrasilAgro.

As of June 30, 2012, our crop stocks consisted in 6,350 tons of wheat, 86,297 tons of corn, 45,009 tons of soybean, 2,581 tons of sorghum, 3,501 tons of sunflower and 45,819 tons of sugarcane; whereas 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. In the season ended on June 30, 2012, the surface area of leased land was 26% 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 that allow us to sow a diversified range of products. Our leased land for crops is mostly located in the 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 allow us to increase our scale in the short term and reduce the risk of inclement weather. The disadvantage of this strategy is that the cost of leasing can increase over time, in part, because increased demand for leased land increases the price of leased land.

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In order to increase our production yields, we use, besides technology, labor control methods which imply the supervision of the seeding's quality (density, fertilization, distribution, and depth), crop monitoring (determination of natural losses and losses caused by harvester) and verification of bagged crop quality. In this way, we work jointly with our suppliers to achieve the best management of inputs, water and soil.

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

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 2012, our beef cattle aggregated 59,435 heads, and we had a total surface area of 83,360 hectares of own lands dedicated to this business activity.

During the fiscal year ended June 30, 2012, our beef cattle activities generated sales of ARS 135.0 million, representing 12% of our total consolidated sales from the agriculture and cattle raising business, and our production was 9,000 tons, an increase of 38.1% compared to the previous fiscal year.

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

	Fiscal Year ended June 30,				
	2008(1)	2009(1)	2010(1)	2011(1)	2012(1)
	(in tons)				
Beef cattle production(2)	8,786	7,112	3,153	6,519	9,000

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

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

Management by lot in our pastures is aided by electrical fencing which may be easily relocated to supplement our land-rotation cycles. Our cattle herd is subject to a 160 kg to 360 kg fattening cycle by grazing in pastures located in our north farmlands, where conditions are adequate for initial fattening. For fattening above 360 kg, cattle are fattened until they reach 430 kg in our 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 thanks 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 (1)				
	Fiscal Year ended June 30,				
	2008(2)	2009(2)	2010(2)	2011(2)	2012(2)
Breeding	57,999	59,283	61,859	50,430	42,109
Fattening	22,359	28,520	9,379	22,697	17,326
Total	80,358	87,803	71,238	73,127	59,435

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

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

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

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

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

Milk Production

As of June 30, 2012 we conducted our milk business in the dairy facility located in “El Tigre” farm in La Pampa, Argentina. 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%.

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:

	Milk Production				
	Fiscal Year ended June 30,				
	2008(1)	2009(1)	2010(1)	2011(1)	2012(1)
Average dairy cows per day	3,174	3,286	3,297	2,816	2,112
Production (daily liters per cow)	18	17.4	18	19.1	21.5
Total production (thousands of liters)	20,825	20,898	21,690	19,605	16,563

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

At the closing of fiscal year 2012, we had 6,184 heads of cattle on 3,022 hectares involved in the production of milk; whereas as of June 30, 2011, we had 6,385 heads of cattle on 2,900 hectares.

Farms

Land Acquisitions

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

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

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

Several important intermediaries, with whom we usually work, bring farmlands available for sale to our attention. The decision to acquire farmlands is based on the assessment of a number of factors. In addition to the land's location, we normally carry out an analysis of soil and water, including the quality of the soil and its suitability for our intended use (crops, beef cattle, or milk production), classify the various sectors of the lot and the prior use of the farmland; analyze the improvements in the property, any easements, rights of way or other variables in relation to the property title; examine satellite photographs of the property (useful in the survey of soil drainage characteristics during the different rain cycles) and detailed comparative data regarding neighboring 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 portion of a farm located in the District of Luján, Province of Buenos Aires. The transaction was agreed for a price of USD 3.0 million, USD 1.2 million of which were paid on that date.

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

On September 5, 2008, we signed the title deed for the purchase of 10,910 hectares of "Estancia Carmen" farm located in the Province of Santa Cruz. The transaction was agreed for a price of USD 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 USD 11.4 million, which had been fully paid as of June 30, 2011.

On July 28, 2008, we signed a bill of purchase for 883 and 2,969 hectares of "San Cayetano" and "San Rafael" farms, respectively, located in the Province of Guarayos, Republic of Bolivia. The transaction was agreed for a price of

USD 8.8 million, which had been fully paid as of June 30, 2012.

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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 USD 8.6 million, which had been fully paid as of June 30, 2012.

Following our expansion strategy at international level, during September 2008, we signed a bill of purchase for a 50% undivided interest in 41,931 hectares located in Mariscal José Felix Estigarribia, Department of Boquerón, Chaco Paraguayo, Republic of Paraguay, owned by Carlos Casado S.A., for a price of USD 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. should pay Carlos Casado S.A. USD 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 called 4 Vientos, of approximately 2,660 hectares, allocated to sugarcane production. Its purchase price was USD 8.4 million. Upon the execution of the purchase agreement USD 2 million were paid; and in July 2011, December 2011 and June 2012, USD 2.0 million, USD 1.4 million and USD 1.4 million, respectively, were paid. The balance is payable in October 2012.

The second purchase involves a farm called La Primavera, of approximately 2,340 hectares, allocated to soybean production. Its purchase price was USD 5.0 million, USD 3.7 million of which have been paid already. The remaining balance is payable in two semi-annual consecutive installments, with the last payment falling due in June 2013.

On March 2, 2011, the Company purchased, jointly with Zander Express S.A., a rural property composed of thirteen plots of land located in the District of Perdriel, Luján de Cuyo Department, in the Province of Mendoza. As a result of this acquisition, Cresud has become owner of a 40% undivided interest in all and each of the properties, while Zander Express S.A. holds the remaining 60%. The total agreed price for this transaction was USD 4.0 million; therefore, the amount of USD 1.6 million was payable by Cresud, which had been already paid as of the moment of execution of the deed of conveyance of title.

The following chart shows, for the fiscal years indicated below, certain information concerning our land acquisitions for each of the last 15 fiscal years ended on June 30:

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- (1) Includes the acquisition of “Ñacurutú,” “Tapenagá,” “Santa Bárbara” and “La Gramilla,” “La Sofia,” “La Suiza,” “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 “Sao 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 last 15 fiscal years ended on June 30:

Gain

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

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

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

(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” farm.

On July 24, 2008, we sold two parcels of “El Recreo” farm (1,829 hectares), located in the Province of Catamarca. The transaction was agreed for a price of USD 0.36 million, that was collected in full. The gain from this transaction has been already recognized.

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 USD 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 USD 4.8 million, that was collected in full.

Since as of the date of these financial statements the preliminary attachment levied in the matter of “EXAGRIND S.A.- Estancia San Rafael v. Tali Sumaj et al, on Damages” had not been released, the Company promised to take all actions available to it 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 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, the Company 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 USD 18 million, which have been fully paid. The sale resulted in a gain of approximately ARS 49.6 million.

In addition, we agreed upon the sale of 910 hectares belonging to Yuchán and Yatay, allocated to agricultural production, for a total amount of USD 3.6 million. From the total sales amount, USD 2.0 million have been already collected, while the balance is payable in three semi-annual consecutive installments, with the next payment falling due in December 2012 and the last one in December 2013.

On September 28, 2011, BrasilAgro sold the Sao Pedro farm, a rural property located in the Municipality of Chapadão do Céu – GO with a total surface area of 2,447 hectares, including 1,724 hectares suitable for agriculture, for a total amount in Reais equivalent to 580,000 bags of soybean seeds. The sale is part of BrasilAgro’s strategy, aimed at obtaining profits from the sale of properties in addition to agricultural production income.

The purchaser made a payment of BRL 9,769 (equivalent to ARS 23,480), equal to 210,000 tons of soybean. The remaining balance is payable in four annual installments due on March 30 of each year, for an amount of 92,500 bags of soybean each. The transaction amount is BRL 23.3 million (equivalent to ARS 59.8 million).

On March 2, 2012, the sale of 1,194 additional hectares in La Fon Fon farm was agreed upon for USD 4.8 million, USD 1.1 million of which have been collected. The balance is payable in seven semi-annual consecutive installments, beginning on November 30, 2012. Possession was surrendered on June 30, 2012.

On May 22, 2012, the Company sold, assigned and conveyed to APSA a 115-hectare plot of land located in the district of Luján, Province of Buenos Aires, for a total amount of USD 8.9 million, which has been fully collected.

Farmland Portfolio

As of June 30, 2012, we owned, together with our subsidiaries, 33 farms, with a total surface area of 646,759 hectares.

The following table sets forth our farm portfolio as of June 30, 2012:

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Use of Farms Owned and under Concession as of June 30, 2012

Locality	Province	Date of Acquisition	Surface Area (has)	Main Business	Beef Cattle (has)	Sheep (has)	Milk (has)	Agriculture (has)	Cattle Heads
La Adela	Lujan	Buenos Aires Original	1,054	Agriculture	37			822	1
El Recreo	Recreo	Catamarca '95	12,395	Natural Woodlands					
Los Pozos	JV González	Salta '95	240,858	Beef Cattle/ Agriculture/ Natural Woodlands	47,910			4,089	42,779
San Nicolás (1)	Rosario	Santa Fe '97	1,431	Agriculture				1,250	
Las Playas (1)	Idiazabal	Cordoba '97	1,534	Agriculture/ Milk				1,448	
La Gramilla/ Santa Bárbara	Merlo	San Luis '97	7,072	Agriculture under irrigation				2,281	
La Suiza	Villa Angela	Chaco '98	41,993	Agriculture/ Beef Cattle	34,700			4,967	12,875
La Esmeralda	Ceres	Santa Fe '98	9,370	Agriculture/ Beef Cattle				8,118	
El Tigre	Trenel	La Pampa '03	8,360	Agriculture/ Milk			3,022	4,363	6,184
El Invierno	Rancul	La Pampa '05	1,946	Agriculture				1,844	
San Pedro	Concepción de Uruguay	Entre Rios '05	6,022	Agriculture				4,076	
8 De Julio/ Estancia Carmen	Puerto Deseado	Santa Cruz '08	100,911	Sheep		85,000			11,980
Cactus Argentina	Villa Mercedes	San Luis '97	171	Feedlot	170				
Las Vertientes	Las Vertientes	Cordoba -	4	Silo					
La Esperanza	Rancul	La Pampa '08	980	Agriculture				334	
Las Londras/ San Cayetano/ San Rafael/ La Fon Fon/ La Primavera/ Cuatro Vientos	Santa Cruz	Bolivia '08	16,255	Agriculture				18,992	
Jerovia (2)	Mariscal Estigarribia	Paraguay '09	22,789	Agriculture/ Natural Woodlands	542			4,189	677

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Establecimiento			Mar					
Mendoza	Lujan de Cuyo	Mendoza	'11	943				
	Baixa Grande							
Cremaq	Ribeiro/PI	Brazil	32,702	Agriculture	20,697			
Jatoba	Jaborandi/BA	Brazil	31,606	Agriculture	10,943			
	Alto							
Alto Taquari	Taquari/MT	Brazil	5,186	Agriculture	3,558			
Araucaria	Mineiros/GO	Brazil	9,682	Agriculture	5,428			
Chaparral	Correntina/BA	Brazil	37,182	Agriculture	10,160			
Nova Buruti	Januária/MG	Brazil	24,155	Forestry				
Preferencia	Barreiras/BA	Brazil	17,799	Beef Cattle				
	Tasso							
Horizontalina	Fragoso/MA	Brazil	14,359	Agriculture				
Subtotal Own			646,759	83,360	85,000	3,022	107,559	74,496
Agropecuaria								
Anta SA (3)	Las Lajitas	Salta	132,000				8,778	
Subtotal								
Concession			132,000				8,778	
Total			778,759	83,360	85,000	3,022	116,337	74,496

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

La Adela

“La Adela” farm is located 60 kilometers northwest of Buenos Aires, it is one of our original farms. In December 2001, the dairy facility was closed down, using its total surface area for crop production. Between March 2005 and December 2007 we bought 72 additional hectares which were added to the existing 982 hectares. During the fiscal year ended June 30, 2012, 1,074 hectares were used for wheat, corn and soybean crops for high-yielding grain production.

El Recreo

“El Recreo” farm, located 970 kilometers northwest of Buenos Aires, in the Province of Catamarca, was acquired in May 1995. It has semi-arid climate and annual rainfall not in excess of 400 mm. This farm is maintained as a productive reserve.

On August 28, 2006, we sold 1,800 hectares of “El Recreo” farm in the amount of USD 0.15 million. On January 19, 2007, we signed a bill of sale for 50 hectares in the amount of ARS 0.7 million. On July 24, 2008, we signed the deed of sale for two parcels of land (1,829 hectares). The transaction was agreed for a price of USD 0.36 million.

Los Pozos.

The “Los Pozos” farm, located 1,600 kilometers northwest of Buenos Aires, in the Province of Salta, was acquired in May 1995. This property is located in a semi-arid area with average annual rainfall of 500 mm. The area is naturally suited to cattle raising and forestry activities (poles and fence posts), and it has agricultural potential for summer crops such as sorghum and corn, among others. For the fiscal year ended June 30, 2012, we used 4,089 hectares in agricultural production and 2,913 hectares intended for agriculture were leased to third parties. We completed the development of tropical pastures in almost 50,000 hectares. As of June 30, 2012, there were 42,779 heads of cattle in this farm. 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 USD 2.2 million, which has been received. The sale generated a gain of USD 2.0 million. On October 22, 2007, we signed a deed for the transfer of an additional 4,974 hectares, the aggregate sales price was USD 1.1 million. The sale generated a gain of approximately USD 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 USD 0.5 million.

San Nicolás

“San Nicolás” is a 4,005-hectare farm owned by Agro Uranga S.A., and is located in the Province of Santa Fe, approximately 45 kilometers from the Port of Rosario. As of June 30, 2012, approximately 6,267 hectares were in use for agricultural production, including double crops. The farm has two plants of silos with a storage capacity of 14,950 tons.

Las Playas

The “Las Playas” farm has a surface area of 4,294 hectares and is owned by Agro Uranga S.A. Located in the Province of Córdoba, it is used primarily for agricultural and milk production purposes. As of June 30, 2012, the farm had a sown surface area, including double crops, of 7,298 hectares for grain production.

La Gramilla and Santa Bárbara

These farms have a surface area of 7,052 hectares in Valle de Conlara, in the Province of San Luis. Unlike other areas in the Province of San Luis, this valley has a high quality underground aquifer which makes these farms well suited for agricultural production after investments were made in the development of lands, wells and irrigation equipment. In the course of the 2010/2011 farm season, a total of 2,968 hectares were sown, 716 hectares of which were sown under contractual arrangement with seed producers, and we leased, in turn, 1,626 hectares to third parties. The remaining hectares are used as land reserves.

La Suiza

The “La Suiza” farm has a surface area of 41,993 hectares and is located in Villa Ángela in the Province of Chaco. It is used for raising cattle. As of June 30, 2012, “La Suiza” had a stock of approximately 12,875 heads of cattle. During the 2011/12 season, we used 5,530 hectares for growing cotton, corn, soybean and sorghum.

La Esmeralda

The “La Esmeralda” farm has a surface area of 9,370 hectares and is located in Ceres in the Province of Santa Fe. This farm, acquired in June 1998, has potential for both agricultural production and cattle raising. During the 2011/12 farm season, we used a total area of 9,802 hectares, including double crops, for production of corn, soybean, wheat, sunflower and sorghum. During the 2010/2011 season, “La Esmeralda” had an average of 2,256 heads of cattle on approximately 1,764 hectares. As of June 30, 2011, only 63 heads remained as it was decided to allocate all the producing area to agriculture. During the 2011/12 season we achieved our objective to fully convert this parcel of land into an agricultural facility.

On December 27, 2007, we agreed to sell to Estancias San Bruno S.A. and Estancias El Algarrobo S.A. a 2,430-hectare parcel of this farm. The aggregate sales price was USD 6.2 million that has been collected in full. The sale generated a gain of approximately USD 5.3 million.

El Tigre

The “El Tigre” farm was acquired on April 30, 2003 and has a surface area of 8,365 hectares. This farm has a high-tech dairy facility where we develop our milk production business in compliance with the highest quality standards. It is located in Trenal in the Province of La Pampa. As of June 30, 2012, 4,926 hectares were assigned to crop production. This farm produced 16.3 million liters of milk in the fiscal year ended June 30, 2012, with an average of 2,112 cows being milked and an average daily production of 21.4 liters per cow.

El Invierno

The “El Invierno” farm was acquired on June 24, 2005 and has a surface area of 1,946 hectares. It is located in Rancul in the Province of La Pampa, 621 kilometers to the west of Buenos Aires. During the fiscal year ended June 30, 2012, we used the land exclusively for crop production and planted 1,844 hectares.

San Pedro

The “San Pedro” farm was purchased on September 1, 2005. It has a surface area of 6,022 hectares and is located in Concepción del Uruguay, Province of Entre Ríos, which is 305 kilometers north of Buenos Aires. In the course of the 2011/2012 farm season, 4,546 hectares were used for agricultural production, including double crops, and 1,143 hectares were leased to third parties for livestock activities.

8 de Julio and Estancia Carmen

The “8 de Julio” farm was acquired on May 15, 2007 and has a surface area of 90,000 hectares. It is located in the department of Deseado in the Province of Santa Cruz. Due to its large surface area, this farm offers excellent potential for sheep production. In addition, we believe the land has potential for future tourism and recreational activities, as the southeast border of the farm stretches over 20 kilometers of coast. “Estancia Carmen” was acquired on September 5, 2008 and has a surface area of 10,911 hectares. It is located in the Province of Santa Cruz, next to our “8 de Julio” farm, and as the latter, it has excellent potential for sheep production. As of June 30, 2012, these farms had a stock of 11,980 sheep.

Cactus

The feedlot has a surface area of 170 hectares and is owned by Cactus Argentina S.A. It is located in Villa Mercedes, Province of San Luis. Cactus was a joint venture between us, Cactus Feeders Inc., one of the largest feedlot companies in the United States, and Tyson Foods, a leading beef and poultry meat processing company. The feedlot began to operate in September 1999. On June 30, 2009, Cactus Feeders Inc. sold its equity interest in Cactus Argentina S.A. On December 21, 2011, Cresud acquired Provemex Holding LLC (Tyson Foods)’s entire stake in Cactus Argentina S.A. As of June 30, 2012, our direct and indirect interest was 100%.

As of the closing of fiscal year 2012, Cactus had no cattle of its own.

Las Vertientes

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

La Esperanza

In 2008 we acquired "La Esperanza" farm located in the Province of La Pampa with a surface area of 980 hectares. The transaction was agreed for a price of USD 1.3 million that has been paid in full. During the year ended June 30, 2012, we used this farm solely for crop production.

Puertas de Luján

On May 30, 2008, IRSA Inversiones y Representaciones Sociedad Anónima signed, as nominee, a bill of purchase with delivery of possession for 115 hectares of a parcel of a farm located in the District of Luján, Province of Buenos Aires. On December 13, 2008, the Company was formally recognized as principal of the transaction. On May 22, 2012, the Company sold, assigned and conveyed to APSA all the above mentioned hectares for a total amount of USD 8.9 million, which have been fully collected.

Las Londras

On January 22, 2009, the bill of purchase for "Las Londras" farm was cast into public deed; it has a surface area of 4,566 hectares, and is located in the Province of Guarayos, Republic of Bolivia. During the 2011/2012 farm season it was used for crop production.

San Cayetano

On November 19, 2008, the bill of purchase for "San Cayetano" farm was cast into public deed. This farm is located in the Province of Guarayos, Republic of Bolivia, and has a surface area of 883 hectares, which were used for crop production during the 2011/2012 farm season.

San Rafael

On November 19, 2008, the bill of purchase for "San Rafael" farm was cast into public deed. This farm is located in the Province of Guarayos, Republic of Bolivia, and has a surface area of 2,969 hectares, which were used for crop production during the 2011/2012 farm season.

La Fon Fon

On November 19, 2008, the bill of purchase for "La Fon Fon" farm was cast into public deed; it has a surface area of 3,748 hectares, and is located in the Province of Obispo Santiesteban, Republic of Bolivia. During the 2010/2011 farm season it was used for crop production. During fiscal year 2011, we agreed upon the sale of 910 hectares, allocated to agricultural production, for a total amount of USD 3.6 million. From the total sales amount, USD 2.0 million have been already collected, while the balance is payable in three semi-annual consecutive installments, with the next payment falling due in December 2012 and the last one in December 2013.

Moreover, on March 2, 2012 the sale of 1,194 hectares was agreed upon for an amount of USD 4.8 million, USD 1.1 million of which have been already collected. The balance is payable in seven semi-annual consecutive installments, falling due as from November 30, 2012. Possession was surrendered on June 30, 2012.

4 Vientos

On June 3, 2011, we executed the purchase agreement for the “4 Vientos” farm, with a surface area of approximately 2,660 hectares, allocated to sugarcane production. Its purchase price was USD 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. During season 2011/2012, including double crops, 4,370 hectares were allocated to crop production.

Jerovia

Cresca owns 50% of "Jerovia" farm, located in Mariscal José Félix Estigarribia, Department of Boquerón, Chaco Paraguayo, Republic of Paraguay, with a surface area of 45,578 hectares. During the 2011/12 season 4,189 hectares were used for crop production.

Establecimiento Mendoza

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

Sao Pedro

Sao Pedro is a farm in Chapadao do Sul (MS). With a surface area of 2,447 hectares, Sao Pedro was bought for BRL 9.9 million. Its potential production area is 1,724 hectares.

On September 28, 2011, through our subsidiary BrasilAgro, we sold this farm for a total amount in Reais equivalent to 580,000 bags of soybean seeds. The sale is part of BrasilAgro’s strategy, aimed at obtaining profits from the sale of properties in addition to agricultural production income.

The purchaser made a payment of BRL 9,769 (equivalent to ARS 23,480), equal to 210,000 tons of soybean. The remaining balance is payable in four annual installments due on March 30 of each year, for an amount of 92,500 bags of soybean each. The transaction amount is BRL 23.3 million (equivalent to ARS 59.8 million).

Cremaq

Cremaq is a farm in Baixa Grande do Ribeiro (Piaui). Acquired for BRL 42 million and with a surface area of 32,702 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 been bought for a value lower than average in the region and it offers major appreciation potential. During the 2011/12 season, 20,697 hectares were used for crop production, including double crops.

Jatobá

Jatobá is a farm in the Jaborandi district, in the State of Bahia. The acquisition price was BRL 33 million and it has 31,606 hectares. During the 2011/12 season, 10,943 hectares were used for crop production.

Alto Taquarí

Alto Taquarí is a farm with a total area of 5,186 hectares and it is located in the municipality of Alto Taquarí, Mato Grosso. This property was purchased for BRL 33.2 million. During the 2011/12 season, 3,558 hectares were used for production. Alto Taquarí executed an agreement with ETH Bioenergía for supplying sugarcane during two full cycles (6 harvesting years, including 5 harvests).

Araucária

Araucária is a farm which has a total area of 9,682 hectares, and is located in the municipality of Mineiros, Goiás. Araucária executed an agreement with ETH Bioenergía for supplying sugarcane during two full cycles (6 harvesting years, including 5 harvests). 100% of the area is planted with sugarcane, totaling 5,428 hectares.

Chaparral

Chaparral is a farm located in Correntina, Bahía. This farm has a surface area of 37,181 hectares and was purchased for BRL 47.8 million. Its potential production area is 27,400 hectares. During the 2011/12 season, 10,160 hectares were used for crop production.

Nova Buriti

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.

Preferencia

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 BRL 500.0 per hectare. This property has good conditions for cattle breeding and crops growing. The company has started rolling out a beef cattle project developing 5,451 hectares of pastures.

Horizontina

In March 2010, BrasilAgro consummated the acquisition of 14,359 hectares of the Horizontina 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 BRL 2.6 million in infrastructure improvement works. In addition, 3,000 hectares of woodlands were converted into pastures for purposes of allocating them to livestock production.

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 2012, we leased from third parties a total of 71 fields, covering 55,150 hectares, including 5,139 hectares in Brazil. Out of the total leased area, 42,515 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:

	2009	Surface area of leased farms Fiscal year ended June 30,		
		2010	2011	2012(1)
		(in hectares)		
Crops	59,615	42,696	52,205	42,515
Beef Cattle	32,795	12,635	12,635	12,635

(1) Includes BrasilAgro.

Due to the rise in the price of land, we adopted a policy of not validating excessive prices and applying strict criteria upon adopting the decision to lease, selecting those lands with values that would ensure appropriate margins.

Silos

As of June 30, 2012, we had storage capacity of approximately 105,541 tons (including 35.723% of the storage capacity over 14,950 tons available at Agro Uranga S.A.).

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

	2008	Storage capacity Fiscal year ended on June 30,			2012
		2009	2010	2011	
		(in tons)			
Las Vertientes	10,000	10,000	10,000	10,000	10,000
San Nicolás (1)	5,341	5,341	5,341	5,341	5,341
BrasilAgro	-	-	-	-	90,200
Total	15,341	15,341	15,341	15,341	105,541

(1) Owned by us through Agro Uranga S.A. (which represents 35.723% of capacity).

(2) Includes BrasilAgro.

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.

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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 2010, 2011 and 2012 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 2012 our sales from the agribusiness (excluding sales of farms) and feedlot/meat packing segment were ARS 1,097.3 million and were made to approximately 492 customers. Sales to our ten largest customers represented approximately 46% of our net sales during the fiscal year 2011 and approximately 43% for the fiscal year ended June 30, 2012. Of these customers, our biggest three customers, Bunge Alimentos S.A., Brenco Companhia Brasileira de Energia Renovável and Molinos Río de la Plata S.A. represented, in the aggregate, approximately 25% of our sales for 2012, while the remaining seven customers in the aggregate represented approximately 18% of our net sales in fiscal year 2012. We have signed non-binding letters of intent with some of our largest customers that allow us to estimate the volume of the demand for certain products and to plan production accordingly. We generally enter into short-term agreements with a term of less than a year.

Marketing Channels and Sales Methods

Crops

We normally work with grains brokers and other intermediaries to trade in the exchanges. We sell part of our production in advance through futures contracts and buy and sell options to hedge against a drop in prices. Approximately 87% of the futures and options contracts are closed through the Bolsa de Cereales de Buenos Aires (Buenos Aires Grains Exchange) and 13% in the Chicago Board of Trade for hedging purposes.

Our storage capabilities allow us to condition and store grains with no third-party involvement and thus to capitalize the fluctuations in the price of commodities. Our largest storage facilities in Argentina, with capacity for 10,000 tons, are located in “Las Vertientes”, close to Río Cuarto, Province of Córdoba. In addition, we store grains in silo bags. On the other hand, in Brazil we have a total storage capacity of 88,500 tons.

Beef Cattle

We have several marketing channels. We sell directly to local meat processors and supermarkets, as well as in markets and auctions. Our customers include Arre Beef S.A., Quickfood S.A., Friar S.A., Frigorífico Forres Beltrán S.A., Madelán S.A., Frigorífico Bermejo S.A., Frigorífico Amancay S.A., Colombo y Colombo S.A., Iván O’Farrell S.R.L. and José A. Llorente S.A., 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.

Supplies

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

Competition

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

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

Seasonality

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

such as our sales of 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.

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Farmland Development

We consider that there is great potential in farmland development where, through the use of current technology, we may achieve similar yields with higher profitability than in core areas.

As of June 30, 2012, we owned land reserves in the region extending over more than 350,362 hectares that were purchased at very attractive prices. In addition, we have a concession over 109,617 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.

We conducted our land development business in Argentina mainly in our “Los Pozos” farm in the Province of Salta. During fiscal year 2012, we had 47,910 hectares developed for beef cattle production, 4,089 hectares for own agricultural productions and 2,913 hectares leased to third party production, which we expect to increase to 6,853 in the next season. In addition, during fiscal year 2013, we seek to develop a further 3,322 hectares intended for agriculture and 2,043 hectares intended for beef cattle.

Furthermore, during fiscal year 2012 we continued with the development of Agropecuaria Anta S.A. (formerly named Agropecuaria Cervera S.A.), reaching 8,778 hectares devoted to our own production and 13,605 hectares leased to third parties. For the next fiscal year, we intend to use 11,216 hectares for agriculture and to reach 10,777 hectares leased to third parties, and we expect to develop 2,200 additional hectares intended for beef cattle.

In connection with our business in Paraguay, during fiscal year 2012 Cresca S.A. made progress in the development of its farms, planting 8,378 hectares and developing another 3,474. For the next fiscal year, Cresca plans to continue to develop new hectares for crop production and intensive cattle breeding in its farms located in Paraguay, where it seeks to plant 11,300 hectares and to allocate 900 hectares to intensive cattle breeding, and to develop a further 5,250 hectares intended to become operational in 2013.

Our developments in Brazil, through our subsidiary BrasilAgro, have extended the sown area (summer and winter season and sugarcane) by 16% compared to the previous period, totaling 67,510 hectares. Besides, during the year BrasilAgro developed 9,000 new hectares, 11,948 of which were planted with soybean in the last season and 1,794 hectares are being prepared for the coming season.

Equity Investees

Futuros y Opciones.Com S.A.

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

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

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.

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

On September 30, 2010, the General Ordinary Shareholders’ Meeting of Futuros y Opciones.Com S.A. approved a capital increase for up to ARS 5.9 million, through the issuance of 538,613 common, registered, non-endorsable shares of ARS 1 par value each plus an issue premium of ARS 5,386. In this sense, Cresud has subscribed shares for ARS 4.5 million. Out of this amount, ARS 3.5 million were paid in through debt capitalization, and the balance of ARS 0.9 million was to be paid in in cash. As a result of this transaction, the Company’s interest was 65.85% as of June 30, 2012.

As of the end of fiscal year 2012, the company’s total revenues from its grains brokerage business unit were ARS 21.1 million with a trading volume of 1.7 million tons, 8% higher than the volume traded in fiscal year 2011 and thus accumulating a 50% growth in the last 3 years. The main crops traded were corn and soybean, and to a lesser extent, wheat and sunflower.

The portal fyo.com has reached its twelfth anniversary, consolidating as the benchmark site for agricultural marketing and adding year after year new and significant agricultural customers of various sizes to its user community. At the closing of this fiscal year, it has reached a base of more than 70,000 users and more than 820,000 visits per month. Plans are being made for relaunching the website with revamped features during the coming fiscal year.

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

Cactus Argentina S.A.

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

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

On January 11, 2007, Cactus and us (solely as nominee for Argentine legal purposes) acquired 100% of the shares in Exportaciones Agroindustriales Argentinas S.A. ("EAASA"). 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 a 25,000 heads of cattle capacity, depending on the size of the cattle. Cactus' customer base changed during recent years, as many companies related to the beef sector bought calves to be fed at the feedlot. To assure themselves a constant supply of high quality beef, these companies keep an inventory of cattle on feed.

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

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

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

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

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

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

Agro Uranga S.A.

We have a 35.7% interest in Agro Uranga S.A. ("Agro Uranga"). This company optimizes production processes and has obtained excellent results, with special emphasis in soil conservation, the application of rational techniques and care of the environment.

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

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

At present, with the assistance of its foreign trade team it is seeking to develop new products so as to significantly increase export volumes, encouraged by the world's growing demand.

Main indicators for the fiscal years ended in June 30, 2012 and 2011(1):

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Description	June 30, 2012	June 30, 2011	%	
Sales				
Wheat	20,746	21,045	(1.4	%)
Corn	224,481	155,218	44.6	%)
Sunflower	18,095	7,399	144.6	%)
Soybean	251,218	94,073	167.0	%)
Sugarcane	636,335	-	0.0	%)
Other	26,461	79,416	(66.7	%)
Total Sales – Crops (tons)	1,177,336	357,150	229.6	%)
Sales Cattle beef (tons)	15,437	8,485	81.9	%)
Sales – Milk (thousands of liters)	16,267	19,185	(15.2	%)
Production				
Wheat	18,269	16,386	11.5	%)
Corn	250,435	171,614	45.9	%)
Sunflower	14,503	13,512	7.3	%)
Soybean	199,559	154,008	29.6	%)
Sugarcane	576,048	-	0.0	%)
Other	123,435	111,391	10.8	%)
Total Production - Crops (tons)	1,182,249	466,910	153.2	%)
Production – Beef Cattle (tons)	9,000	6,519	38.1	%)
Production - Milk (thousands of liters)	16,563	19,605	(15.5	%)
Exploited area (hectares)				
Crops				
Own farms ²	127,793	59,122	116.2	%)
Leased farms	44,508	52,205	(14.7	%)
Farms under concession	8,778	10,401	(15.6	%)
Own farms leased to third parties	23,595	12,883	83.1	%)
Cattle beef				
Own farms	83,360	89,644	(7.0	%)
Leased farms	12,635	12,635	0.0	%)
Own farms leased to third parties	1,943	1,143	70.0	%)
Milk farm				
Own farms	3,022	2,260	33.7	%)
Sheep				
Own farms	85,000	100,911	(15.8	%)
Land reserves (hectares)				
Own farms	350,063	229,459	52.6	%)
Farms under concession	109,617	110,285	(0.6	%)
Area under irrigation (hectares)				
Own farms	2,218	2,305	(3.8	%)
Own farms leased to third parties	1,626	1,457	11.6	%)

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Storage capacity (tons)				
Own plants	98,500	10,000	885.0	%
Leased plants	-	-	0.0	%
Stock of cattle heads				
Breeding stock	42,109	50,430	(16.5	%)
Winter grazing stock	17,326	22,697	(23.7	%)
Milk farm stock	6,184	6,385	(3.1	%)
Total cattle (heads)	65,619	79,512	(17.5	%)
Daily average milking cows (heads)	2,112	2,816	(25.0	%)

1. Does not include Agro Uranga S.A. (35.72% over 8,299 hectares). As of June 30, 2011 we did not consolidate BrasilAgro.

2. Includes all the farms located in Argentina, Bolivia, Paraguay and Brazil.

IRSA's Segments – Real Estate Business

As of June 30, 2012, our investment in IRSA's common shares amounts to 64.20%.

As from October 1, 2008, Cresud presents its financial statements in consolidated form with IRSA's in accordance with the provisions of Technical Resolution No. 21. Consequently, the Company's consolidated results as of June 30, 2009 include IRSA's results between October 1, 2008 and June 30, 2009. The Company's consolidated financial statements as of June 30, 2008 and 2007 do not include information in consolidated form with IRSA's.

The following information corresponds to data of the segments extracted from our subsidiary IRSA Inversiones y Representaciones S.A.'s Annual Report and financial statements as of June 30, 2012.

The revenue figures for fiscal year 2012 described in the different tables correspond to the twelfth-month period reported in IRSA's financial statements.

Offices and other non-shopping center rental properties

Our subsidiary IRSA is engaged in the acquisition, development and management of Offices and other non-shopping center rental properties in Argentina. As of June 30, 2012, IRSA directly and indirectly owned interests in 19 office and other rental properties in Argentina, which comprised 287,912 square meters of gross leaseable area. Out of these properties, 12 were office properties, which comprised 145,126 square meters of gross leaseable area. For fiscal year 2012, IRSA had revenues from Offices and other non-shopping center rental properties of ARS 192.3 million.

All the office rental property in Argentina is located in Buenos Aires City. For the year ended June 30, 2012, the average occupancy rate for all the properties in the Offices and other non-shopping center rental properties segment was approximately 98.1%. Seven different tenants accounted for approximately 45.0% of its total revenues from office rentals for fiscal year 2012: Exxon Mobile Business, Price Waterhouse, Grupo Total Austral, La Nación, Sibille S.C. (KPMG), Grupo Danone Argentina and Apache Energía Argentina.

Management.

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

Leases.

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

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Properties

The following table sets forth certain information regarding our subsidiary IRSA's direct and indirect ownership interest in offices and other non-shopping center rental properties:

	Date of Acquisition	Gross Leasable Area (sqm) (1)	Occupancy Rate (2)	IRSA's Effective Interest	Monthly Rental Income (in thousands of ARS) (3)	Annual accumulated rental income over fiscal periods (in thousands of ARS) (4)			Book Value (in thousands of ARS) (5)
						2012	2011	2010	
Offices									
Edificio República	04/28/08	19,884	90%	100%	2,388	27,069	26,013	21,188	210,852
Torre Bankboston	08/27/07	14,873	96%	100%	2,024	22,211	20,655	22,333	149,800
Bouchard 551	03/15/07	23,378	100%	100%	2,553	27,802	24,026	22,441	145,914
Intercontinental Plaza	11/18/97	22,535	100%	100%	2,273	23,329	21,405	21,559	75,257
Bouchard 710	06/01/05	15,014	100%	100%	1,975	20,991	16,800	14,076	63,311
Dique IV, Juana Manso 295 (10)	12/02/97	11,298	92%	100%	1,392	15,787	14,715	13,963	59,966
Maipú 1300	09/28/95	10,280	98%	100%	1,132	13,020	11,870	11,339	35,521
Costeros Dique IV	08/29/01	734	100%	100%	77	5,980	5,288	5,358	2,690
Libertador 498	12/20/95	2,477	100%	100%	407	4,818	5,301	6,900	9,618
Suipacha 652/64	11/22/91	11,453	90%	100%	663	7,448	7,071	4,804	10,032
Madero 1020	12/21/95	-	-	100%	5	31	35	31	176
Dot Building (13)	11/28/06	11,242	100%	96%	919	8,466	2,143	-	103,979
Other Offices (6)	N/A	2,232	88%	N/A	185	2,409	965	4,602	4,186
Subtotal Offices		145,400	96%	N/A	15,993	179,361	156,287	148,594	871,302
Other Properties									
Commercial Properties (7)	N/A	312	-	N/A	-	-	-	-	3,167
Museo Renault	12/06/07	-	-	100%	-	-	191	356	-
Santa María del Plata S.A.	07/10/97	60,100	100%	100%	100	1,566	3,035	1,014	12,521
Thames	11/01/97	-	-	100%	-	-	-	175	-
Predio San Martín	05/31/11	80,028	100%	50%	1,432	6,028	669	-	69,791
Terreno									
Catalinas Norte (12)	12/17/09	N/A	N/A	N/A	-	-	1,018	N/A	109,145

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Other Properties (8)	N/A	2,072	100%	N/A	15	115	128	128	12,733
Subtotal Other Properties		142,512	100%	N/A	1,547	7,709	5,041	1,673	207,357
Management Fees (11)		N/A	N/A	N/A		3,102	3,290	3,944	N/A
Total Offices and Other (9)		287,912	98%	N/A	17,540	190,172	164,618	154,211	1,078,659

Notes:

(1) Total leaseable area for each property as of June 30, 2012. Excludes common areas and parking.

(2) Calculated dividing occupied square meters by leaseable area as of June 30, 2012.

(3) Agreements in force as of 06/30/12 for each property were computed.

(4) Total leases consolidated by application of the method under Technical Resolution 21.

(5) Cost of acquisition, plus improvements, less accumulated depreciation, plus adjustment for inflation, less allowance for impairment.

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

(7) Includes the following properties: Constitución 1111, Crucero I (fully sold); Retail stores in Abril (wholly assigned) and Casona de Abril.

(8) Includes the following properties: Constitución 1159 and Dique III (fully sold) and Canteras.

(9) Corresponds to the "Offices and other non-shopping center rental properties" business unit mentioned in Note 3 to the Consolidated Financial Statements.

(10) The building was occupied in May 2009.

(11) Revenues from building management fees.

(12) Includes other income from lease of parking spaces.

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

The following table shows a schedule of the lease expirations of office and other properties for leases outstanding as of June 30, 2012, assuming that none of the tenants exercise renewal options or terminate their lease early. Most tenants have renewal clauses in their leases.

Fiscal year of lease expiration	Number of leases expiring	Surface area subject to expiring leases (sqm)	Percentage of total surface area subject to expiration (%)	Annual rental income under expiring leases (ARS)	Percentage of total rental income under expiring leases (%)
2012	17	61,893	22 %	20,874,324	10 %
2013	46	36,301	13 %	44,335,006	21 %
2014	63	56,935	20 %	80,558,062	39 %
2015+	60	125,754	45 %	63,312,710	30 %
Total	186	280,883	100 %	209,080,104	100 %

*Includes Offices which contract has not been renewed as of June 30, 2012.

*Does not include vacant leased square meters.

*Does not include square meters or revenues from parking spaces.

The following table shows our subsidiary IRSA's offices occupancy percentage as of the end of fiscal years ended June 30, 2012, 2011 and 2010:

Offices	Occupancy Rate		
	Fiscal year ended June 30,(1)		
	2012 (%)	2011 (%)	2010 (%)
Intercontinental Plaza	100	96	100
Bouchard 710	100	92	83
Bouchard 551	100	91	100
Libertador 498	100	100	100
Maipú 1300	98	100	99
Madero 1020	N/A	100	100
Suipacha 652/64	90	95	95
Costeros Dock IV	100	100	90
Torre Bankboston	96	78	96
Edificio República	90	85	80
Dique IV, Juana Manso 295	92	92	92
Dot Building	100	86	N/A
Others (2)	88	86	86

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(1) Leased surface area in accordance with agreements in effect as of June 30, 2012, 2011 and 2010 considering the total leaseable office area for each year.

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

The following table sets forth the annual average income per square meter for our subsidiary IRSA's offices during fiscal years ended June 30, 2012, 2011 and 2010:

	Annual average income per square meter		
	Fiscal year ended June 30, (1)		
	2012 (ARS/sqm)	2011 (ARS/sqm)	2010 (ARS/sqm)
Offices			
Intercontinental Plaza	1,048	950	957
Bouchard 710	1,398	1,119	938
Bouchard 557	1,189	1,028	960
Libertador 498	1,943	1,713	1,366
Maipú 1300	1,268	1,155	1,103
Madero 1020	N/A	347	307
Suipacha 652/64	611	617	419
Costeros Dock IV	8,147	973	985
Torre Bankboston	1,559	1,389	1,502
Edificio República	1,378	1,308	1,066
Dique IV, Juana Manso 295 (2)	1,397	1,302	1,236
Dot Building	753	191	N/A
Others (2)	1,079	425	404

(1) Calculated considering annual leases to total leaseable office area, in accordance with our percentage of ownership in each building.

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

Below is information regarding our subsidiary IRSA's principal currently owned office properties, including the names of the tenants occupying over 5% of the gross leaseable area of each property.

Edificio República, City of Buenos Aires

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

Torre Bankboston, City of Buenos Aires

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

Bouchard 551, City of Buenos Aires.

Bouchard 551, known as "Edificio La Nación", is an office building acquired in March 2007, located in the Retiro area close to the intersection of the Leandro N. Alem and Córdoba avenues and opposite Plaza Roma. The building is a 23-story tower covering a surface area of 2,900 square meters in the low floors that becomes smaller as it goes higher up to 900 square meters approximately, and parking for 177 units. IRSA has approximately 23,000 leasable square meters in the building and its main tenants include La Nación S.A. and Price Waterhouse & Co., AS. EM. S.R.L.

Intercontinental Plaza, City of Buenos Aires.

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

Dique IV, Juana Manso 295, Puerto Madero, City of Buenos Aires

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

Bouchard 710, City of Buenos Aires.

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

Maipú 1300, City of Buenos Aires.

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

Libertador 498, City of Buenos Aires.

Libertador 498 is a 27-story office tower at the intersection of three of the most important means of access to the city. This location allows for easy access to the building from northern, western and southern Buenos Aires. IRSA is the owner of 4 stories with an average area per floor of 620 square meters and of 145 parking spaces. This building features a unique design in the form of a cylinder and a highly visible circular lighted sign at the top which turn it into a landmark in the Buenos Aires skyline. The main tenants include Sideco Americana S.A., Goldman Sachs Argentina LLC, Empresa Argentina de Soluciones Satelitales S.A., Japan Bank for International Cooperation, Gates Argentina S.A., Kandiko S.A. and Allergan Productos Farmacéuticos S.A.

Edificios Costeros, Dique IV, City of Buenos Aires.

On August 29, 2001, IRSA signed the deed of purchase of "Section C" of the office complex known as Puerto del Centro that includes buildings "5" and "6." The property is located in the Puerto Madero area and has approximately 5,500 square meters of gross leaseable area and 50 parking spaces. The building's principal tenants currently include Nextel Argentina S.A., Celistics S.A., London Supply S.A.C.I.F.I., Banco Río de la Plata S.A. and Escuela Argentina de Marketing S.A.

On May 15, 2012, IRSA sold 4,703 square meters in built office space with 46 parking spaces and 4 supplementary storage spaces. The transaction price was ARS 69.0 million. The book value of the property was ARS 18.1 million.

Suipacha 652/64, City of Buenos Aires.

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

PAMSA-Dot Baires Offices.

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

Other office properties.

IRSA also has interests in other office properties, all of which are located in the City of Buenos Aires. These properties are either entire buildings or floors in buildings. These properties include Suipacha 664, Av. de Mayo 589 and Sarmiento 517 (fully sold in this fiscal period).

Retail and other properties.

IRSA's portfolio of rental properties as of June 30, 2012 includes 5 non-shopping center leaseable properties that may be leased as shops on streets, a lot in industrial premises, undeveloped plots of land or other properties for various uses. Most of these properties are located in the City of Buenos Aires, although some are located in other cities in Argentina. These properties include Constitución 1111, Solares de Santa María, Constitución 1159, Madero 1020 and Rivadavia 2774.

On October 26, 2011 IRSA sold the plot of land of approximately 8 hectares located at Thames 1868 in the district of San Justo, Province of Buenos Aires. The transaction price was USD 4.7 million, which was paid on October 25, 2011. As of June 30, 2011, the book value of the land reserve was USD 0.9 million.

In March 2012 IRSA sold 759 square meters of Museo Renault for USD 5.2 million and the transaction was completed in May 2012 by selling an additional area of 490 square meters for USD 5.5 million. As of June 30, 2012 the book value of the property was ARS 21.1 million.

Terreno Catalinas Norte

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

Shopping Centers

IRSA is engaged in purchasing, developing and managing shopping centers through its subsidiary, Alto Palermo. As of June 30, 2012, Alto Palermo operated and owned majority interests in thirteen shopping centers, six of which are located in the City of Buenos Aires (Abasto, Paseo Alcorta, Alto Palermo, Patio Bullrich, Buenos Aires Design and Dot Baires Shopping), two of which are located in the greater Buenos Aires (Alto Avellaneda and Soleil Factory) metropolitan area and the other ones are located in the Argentine provinces: Alto Noa in the City of Salta, Alto Rosario in the City of Rosario, Mendoza Plaza in the City of Mendoza, Córdoba Shopping Villa Cabrera in the City of Córdoba and La Ribera Shopping in the City of Santa Fe.

As of June 30, 2012, IRSA owned 95.6% 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, 2012, IRSA owned USD 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, its shareholding in Alto Palermo would increase to 97.5% of its fully diluted capital.

As of June 30, 2012, Alto Palermo's shopping centers comprised a total of 309,021 square meters of gross leaseable area (excluding certain space occupied by hypermarkets which are not Alto Palermo's tenants). For fiscal period 2012, the average occupancy rate of the shopping center portfolio was approximately 98.4%.

Given the size of the shopping center portfolio, IRSA centralized its management 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, 2012:

	Date of Acquisition	Leasable Area sqm (1)	APSA's Effective Interest (3)	Occupancy Rate (2)	Accumulated Annual Rental Income as of June 30 and for the fiscal year ended (in ARS/000) (4)			Book Value (ARS/000) (5)
					2012	2011	2010	
Shopping Centers (6)								
Alto Palermo	11/97	18,701	100.0%	98.3%	149,377	120,338	98,020	253,763
Abasto Shopping (7)	07/94	37,711	100.0%	99.1%	149,544	118,259	91,304	314,874
Alto Avellaneda	11/97	36,943	100.0%	96.1%	98,575	77,121	59,833	155,606
Paseo Alcorta	06/97	14,107	100.0%	100.0%	63,575	52,027	42,714	131,525
Patio Bullrich	10/98	11,684	100.0%	100.0%	54,448	45,033	37,254	132,034
Alto Noa Shopping	03/95	19,038	100.0%	98.9%	25,819	19,275	13,701	38,788
Buenos Aires Design	11/97	13,769	53.7%	100.0%	20,026	17,329	14,613	15,925
Alto Rosario Shopping (7)	11/04	27,691	100.0%	97.6%	59,070	42,642	30,821	135,352
Mendoza Plaza Shopping	12/94	42,237	100.0%	96.4%	48,694	36,441	27,206	123,828
Fibesa and Others(8)	-	N/A	100.0%	N/A	52,568	35,832	24,928	
Neuquén (9)	07/99	N/A	98.1%	N/A	-	-	-	22,539
Dot Baires Shopping (10)	05/09	49,527	80.0%	99.4%	101,023	77,169	64,515	479,587
Córdoba Shopping Villa Cabrera	12/06	15,191	100.0%	99.6%	25,643	19,113	13,446	76,153
Soleil	07/10	14,712	100.0%	100.0%	19,046	14,200	-	74,474
La Ribera Shopping	08/11	7,710	50.0%	98.7%	4,327	-	-	18,814
TOTAL SHOPPING CENTERS		309,021		98.4%	871,732	674,779	518,355	1,973,262
Consumer Finance Revenues (11)	-	N/A		N/A	4,836	68,576	265,346	-
GENERAL TOTAL (12)		309,021		98.4%	876,568	743,355	783,701	1,973,262

Notes:

(1) Total leaseable area in each property. Excludes common areas and parking spaces.-

(2) Calculated dividing occupied square meters by leaseable area on the last day of the period.-

(3) APSA's effective interest in each of its business units. IRSA has a 95.59% 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 in value, plus recovery of allowances, if applicable. 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 APSA Media is 100%.

(12) Corresponds to the "shopping center" business unit mentioned in Note 3 to the Consolidated Financial Statements; includes revenues from "Credit Cards" (Tarshop and APSA Media).-

Tenants' Retail Sales

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

	Accumulated Tenants' retail sales as of June 30, (ARS/000) (1)		
	2010	2011	2012
Abasto	926,373	1,227,372	1,537,349
Alto Palermo	879,728	1,100,349	1,304,634
Alto Avellaneda	885,195	1,132,631	1,466,932
Paseo Alcorta	414,652	525,752	667,799
Patio Bullrich	344,789	432,319	498,545
Alto Noa	280,241	381,181	500,372
Buenos Aires Design	140,974	188,475	235,770
Mendoza Plaza	559,359	733,370	929,143
Alto Rosario	419,143	610,932	825,191
Córdoba Shopping- Villa Cabrera	164,257	244,189	340,254
Dot Baires Shopping	763,528	985,672	1,271,165
Soleil	-	204,077	254,050
La Ribera Shopping	-	-	135,224
Total(2)	5,778,239	7,766,319	9,966,428

Notes:

(1) Retail sales based upon information provided to us by retailers and past owners. The amounts shown reflect 100% of the retail sales of each shopping center, 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 lease expirations for shopping center properties in place as of June 30, 2012, assuming that none of the tenants exercise renewal options or terminate their lease early.

Lease Expirations as of June 30,	Number of Leases Expiring(1)	Surface area subject to Expiring Leases (sqm)	Percentage of Total Surface Area subject to Expiration		Amount under Expiring Leases (in thousands of ARS)	Percentage of Expiring Leases	
			(%)	(%)		(%)	(%)
2013	664	103,690	34	%	145,092,597	36	%
2014	376	52,329	17	%	99,292,382	25	%
2015	321	49,033	16	%	90,799,050	23	%
2016 and subsequent	115	103,970	34	%	63,471,693	16	%
Total (2)	1,476	309,022	100	%	398,655,722	100	%

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- (1) Includes vacant stores as of June 30, 2012. 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 average occupancy rate of each shopping center during fiscal years ended June 30, 2012, 2011 and 2010:

	As of June 30		
	2010	2011	2012
Abasto	99.6	99.8	99.1
Alto Palermo	100.0	100.0	98.3
Alto Avellaneda	96.0	96.3	96.1
Paseo Alcorta	97.5	99.2	100.0
Patio Bullrich	99.7	100	100.0
Alto Noa	99.9	100	98.9
Buenos Aires Design	98.4	98.6	100.0
Mendoza Plaza	93.1	95.2	96.4
Alto Rosario	93.7	95.0	97.6
Córdoba Shopping Villa Cabrera	98.8	98.1	99.6
Dot Baires Shopping	100	99.7	99.4
Soleil	-	87.8	100.0
La Ribera Shopping	-		98.7
Weighted Average	98.5	97.6	98.4

Rental Price

The following table shows the annual/period average rental price per square meter for the fiscal years ended June 30, 2012, 2011 and 2010:

	Rental Prices as of June 30 for the fiscal periods (ARS/sqm) (1)		
	2010	2011	2012
Abasto	1,986.8	2,549.5	3,171.3
Alto Palermo	4,033.8	4,995.7	6,192.8
Alto Avellaneda	1,469.2	1,877.6	2,375.6
Buenos Aires Design	810.2	959.7	1,074.5
Paseo Alcorta	2,498.9	3,233.6	3,871.2
Patio Bullrich	2,673.9	3,201.7	3,791.1
Alto Noa	658.6	920.3	1,230.6
Alto Rosario	948.4	1,336.5	1,906.9
Mendoza Plaza	598.8	804.9	1,032.4
Córdoba Shopping Villa Cabrera	731.6	1,104.0	1,459.2
Dot Baires Shopping	1,081.9	1,288.4	1,657.3
Soleil		870.5	1,129.1
La Ribera Shopping			1,017.3

(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.

Principal Terms of the 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.

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 it uses for most tenants. However, Alto Palermo's largest tenants generally negotiate better terms for their respective leases. No assurance can be given that lease terms will be as set forth in the standard lease agreement.

Alto Palermo charges its tenants a rent which consists of the higher of:

- (i) a monthly base rent (the "Base Rent") and
- (ii) a specified percentage of the tenant's monthly gross sales in the store (the "Percentage Rent") (which generally ranges between 4% and 8% of tenant's gross sales).

Furthermore, pursuant to the rent escalation clause in most leases, a tenant's Base Rent generally increases between 7% and 12% each year on an annual and cumulative basis as from the thirteenth (13th) month of the lease effective term. Although many of the 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 payment of 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 visits to its shopping centers. These activities are paid for with the tenants' contributions to the Common Promotional Fund ("CPF"), which is administered by Alto Palermo. Every month tenants contribute to the CPF an amount equal to approximately 15% of their rent (Base Rent or Percentage Rent, 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, 2010, 2011 and 2012:

Type of Business	Accumulated Tenants' Sales as of June 30 for the fiscal periods (in millions of ARS)		
	2012	2011	2010
Anchor Store	708.2	571.6	449.7
Clothes and footwear	4,932.8	3,801.0	2,754.2
Entertainment	351.5	262.8	180.2
Home	1,795.6	1,468.8	1,172.9
Restaurant	937.4	701.6	495.9
Miscellaneous	1,186.2	918.7	691.4
Services	54.7	41.8	33.9
Total	9,966.4	7,766.3	5,778.2

Description of each Shopping Center

Set forth below is information regarding our subsidiary Alto Palermo's principal shopping centers.

Alto Palermo Shopping, City of Buenos Aires. Alto Palermo Shopping is a 146-store shopping center that opened in 1990 and is located in the densely populated middle-income neighborhood of Palermo in the City of Buenos Aires. Alto Palermo Shopping is located only a few minutes from downtown Buenos Aires and with nearby subway access at the intersection of Avenues Santa Fe and Coronel Díaz. Alto Palermo Shopping has a total constructed area of 65,029 square meters (including parking lot) that consists of 18,701 sqm of gross leaseable area. The shopping center has a food court with 19 stores. Alto Palermo Shopping is spread out over four levels and its parking lot may accommodate 654 cars for a fee over an area of 32,405 square meters. The shopping center target customer is a middle-income shopper aged 28 to 40 years old.

In the fiscal year ended on June 30, 2012, the public visiting the shopping center generated nominal retail sales totaling approximately ARS 1,304.6 million, which represents annual sales for approximately ARS 69,762.1 per square meter. Total rental income increased from about ARS 121.2 million for fiscal year ended June 30, 2011 to ARS 151.5 million for fiscal year ended June 30, 2012, accounting for monthly income per square meter of gross leaseable area equal to ARS 539.9 in 2011 and ARS 675.2 in 2012.

As of June 30, 2012, the occupancy rate was 98.3%.

Alto Avellaneda, Avellaneda, Greater Buenos Aires. Alto Avellaneda is a 140-store shopping center that opened in October 1995 and is located in the densely populated neighborhood known as Avellaneda, on the southern border of the City of Buenos Aires. This shopping center is located near a railway station and close to downtown Buenos Aires City. Alto Avellaneda has a total constructed area of 108,598.8 square meters (including parking lot) that includes 36,943 sqm of gross leaseable area. Alto Avellaneda has a six-screen multiplex movie theatre, a Wal-Mart megastore, an entertainment center, a 20-restaurant food court and starting in April 28, 2008, it also hosts a Falabella department store. Wal-Mart (not included in the gross leaseable area) acquired the space it occupies, but it pays a share of the common expenses of Alto Avellaneda's parking lot. This shopping center offers free-of-charge parking space for 2,700 cars over an area of 47,856 square meters.

In the fiscal year ended June 30, 2012, the public visiting the shopping center generated nominal retail sales that totaled approximately ARS 1,466.9 million, which represents annual revenues for approximately ARS 39,708.41 per square meter. Total rental income increased from ARS 77.2 million for fiscal year ended June 30, 2011 to ARS 99.1 million for fiscal year ended June 30, 2012, which accounted for a monthly income per square meter of gross leaseable area of ARS 175.5 in 2011 and ARS 223.5 in 2012.

As of June 30, 2012, the occupancy rate was 96.1%.

Paseo Alcorta, City of Buenos Aires. Paseo Alcorta is a 111-store shopping center that opened in 1992 and is located in the residential neighborhood of Palermo Chico, one of the most exclusive areas in the City of Buenos Aires, within a short drive from downtown Buenos Aires. Paseo Alcorta has a total constructed area of approximately 87,553.8 square meters (including parking lot) that consists of 14,107 square meters of gross leaseable area. Paseo Alcorta has a 12-restaurant food court and a Carrefour hypermarket on the ground floor. Carrefour purchased the space it now occupies but it pays a share of the expenses of the shopping center's parking lot. It is a three-level shopping center that includes a parking lot that charges a fee (as from June 2008) with approximately 1,300 spaces.

In the fiscal year ended June 30, 2012, the public visiting the shopping center generated nominal retail sales that totaled approximately ARS 667.8 million, which represents annual sales for approximately ARS 47,339.46 per square meter. Total rental income increased from approximately ARS 52.3 million in fiscal year ended June 30, 2011 to ARS 64.29 million for fiscal year ended June 30, 2012, which accounts for monthly revenues per square meter of gross leaseable area of ARS 313.4 in 2011 and ARS 379.8 in 2012.

As of June 30, 2012, the occupancy rate was 100%.

Abasto Shopping, City of Buenos Aires. Abasto Shopping is a 173-store shopping center located in the City Buenos Aires. Abasto Shopping is directly accessible by Carlos Gardel subway station; it is six blocks away from Once railway station and near the highway to Ezeiza International Airport. Abasto Shopping opened on November 10, 1998. The investment in Abasto amounted to USD 111.6 million. The principal building is a landmark building, which during the period 1889 to 1984 operated as the primary fresh produce market for the City of Buenos Aires. The property was converted into a 116,646 square meter shopping center (including parking lot and common areas), with approximately 37,711 square meters of gross leaseable area (41,443 sqm including Museo de los Niños). Abasto is ranked #4 in terms of gross leaseable area in Argentina. The shopping center is near Torres de Abasto, our apartment complex, and Coto supermarket.

In the fiscal year ended June 30, 2012, the public visiting the shopping center generated nominal retail sales that totaled approximately ARS 1,537.3 million, which represents annual sales for approximately ARS 40,766.5 per square meter. Total rental income increased from approximately ARS 118.7 million in fiscal year ended June 30, 2011 to ARS 150.5 million for fiscal year ended June 30, 2012, which accounts for monthly revenues per square meter of gross leaseable area of ARS 262.1 in 2011 and ARS 332. in 2012.

As of June 30, 2012, the occupancy rate was 99.1%.

Patio Bullrich, City of Buenos Aires. Patio Bullrich is an 82-store shopping center that opened in 1988. Patio Bullrich was the first shopping center that started operations in the City of Buenos Aires. It was purchased on October 1, 1998 for USD 72.3 million. Patio Bullrich has a total constructed area of 29,982 square meters (including parking lot) that consists of 11,684 sqm of gross leaseable area and common areas consisting of 12,472 square meters. The shopping center includes a four-screen multiplex movie theatre seating 1,381 people and a 12-store food court. The four-story shopping center has a parking lot that charges a fee with 215 spaces over an area of 4,825 square meters.

In the fiscal year ended June 30, 2012, the public visiting the shopping center generated nominal retail sales that totaled approximately ARS 498.5 million, which represents annual sales for approximately ARS 42,669.46 per square meter. Total rental income increased from approximately ARS 45.1 million in fiscal year ended June 30, 2011 to ARS 54.7 million for fiscal year ended June 30, 2012, which accounts for monthly revenues per square meter of gross leaseable area of ARS 320 in 2011 and ARS 390.2 in 2012.

As of June 30, 2012, the occupancy rate was 100%.

Alto Noa, Salta, Province of Salta. Alto Noa is a 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 18,867 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, 2012, the public visiting the shopping center generated nominal retail sales that totaled approximately ARS 500.4 million, which represents annual sales for approximately ARS 26,282.75 per square meter. Total rental income increased from approximately ARS 19.3 million in fiscal year ended June 30, 2011 to ARS 25.8 million for fiscal year ended June 30, 2012, which accounts for monthly revenues per square meter of gross leaseable area of ARS 84.6 in 2011 and ARS 113.3 in 2012.

As of June 30, 2012, the occupancy rate was 98.9%.

Buenos Aires Design, City of Buenos Aires. Buenos Aires Design is a 62-store shopping center intended for specialty interior, home decorating and restaurants that opened in 1993. Alto Palermo owns Buenos Aires Design through a 53.68% interest in Emprendimiento Recoleta S.A., which owns the concession to operate the shopping center. Buenos Aires Design is located in Recoleta, one of the most popular tourist zones in Buenos Aires City. Buenos Aires Design has a total constructed area of 26,131.5 square meters 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, 2012, the public visiting the shopping center generated nominal retail sales that totaled approximately ARS 235.8 million, which represents annual sales for approximately ARS 17,123.4 per square meter. Total rental income increased from approximately ARS 17.3 million in fiscal year ended June 30, 2011 to ARS 20.1 million for fiscal year ended June 30, 2012, which accounts for monthly revenues per square meter of gross leaseable area of ARS 104.9 in 2011 and ARS 121.9 in 2012.

As of June 30, 2012, the occupancy rate was 100%.

Alto Rosario, Santa Fe, City of Rosario. Alto Rosario is a shopping center of 146 stores, located in the 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, 2012, the public visiting the shopping center generated nominal retail sales that totaled approximately ARS 825.2 million, which represents annual sales for approximately ARS 29,799.1 per square meter. Total rental income increased from approximately ARS 42.7 million in fiscal year ended June 30, 2011 to ARS 59.4 million for fiscal year ended June 30, 2012, which accounts for monthly revenues per square meter of gross leaseable area of ARS 124.3 in 2011 and ARS 178.7 in 2012.

As of June 30, 2012, the occupancy rate was 97.6%.

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, 2012, the public visiting the shopping center generated nominal retail sales that totaled approximately ARS 929.1 million, which represents annual sales for approximately ARS 21,998 per square meter. Total rental income increased from approximately ARS 36.5 million in fiscal year ended June 30, 2011 to ARS 49.1 million for fiscal year ended June 30, 2012, which accounts for monthly revenues per square meter of gross leaseable area of ARS 74.7 in 2011 and ARS 96.8 in 2012.

As of June 30, 2012, the occupancy rate was 96.4%.

Córdoba Shopping, Villa Cabrera, City of Córdoba. Córdoba Shopping Villa Cabrera is a 106-store commercial center with a covered area of 35,000 square meters, consisting of 15,191 square meters of gross leaseable area located in Villa Cabrera, City of Córdoba. It has a 12-screen movie theatre complex and a parking lot for 1,500 vehicles. In the fiscal year ended June 30, 2012, the public visiting the shopping center generated nominal retail sales that totaled approximately ARS 340.3 million, which represents annual sales for approximately ARS 22,398.9 per square meter. Total rental income increased from ARS 19.2 million in fiscal year ended June 30, 2011 to ARS 26.0 million for fiscal year ended June 30, 2012, which accounts for monthly revenues per square meter of gross leaseable area of ARS 105.3 in 2011 and ARS 142.8 in 2012.

As of June 30, 2012, the occupancy rate was 99.6%.

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, out 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. In the fiscal year ended June 30, 2012, the public visiting the shopping center generated nominal retail sales that totaled approximately ARS 1,271.2 million, which represents annual sales for approximately ARS 25,665.9 per square meter. Total rental income increased from approximately ARS 76.6 million in fiscal year ended June 30, 2011 to ARS 100.9 million for fiscal year ended June 30, 2012, which accounts for monthly revenues per square meter of gross leaseable area of ARS 128.8 in 2011 and ARS 169.9 in 2012.

As of June 30, 2012, the occupancy rate was 99.4%.

Soleil Factory, San Isidro, Province of Buenos Aires. Soleil Factory is a one-story shopping center, with a surface area of 48,313 sqm, 14,091 sqm of which are gross leaseable area, in respect of which APSA is also authorized to build more than 9,697 sqm. 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. In the fiscal year ended June 30, 2012, the public visiting the shopping center generated nominal retail sales that totaled approximately ARS 254.1 million, which represents period average sales for approximately ARS 17,267.9 per square meter. Total rental income increased from approximately ARS 14.2 million in fiscal year ended June 30, 2011 to ARS 19.1 million for fiscal year ended June 30, 2012, which accounts for monthly revenues per square meter of gross leaseable area of ARS 84 in 2011 and ARS 108.2 in 2012.

As of June 30, 2012, the occupancy rate was 100.0%.

La Ribera Shopping, City of Santa Fe. On June 15, 2011, Alto Palermo S.A. (APSA), directly and through its controlled company Torodur S.A., acquired a fifty-percent interest in the stock of Nuevo Puerto Santa Fe S.A. (NPSF), a company that is the tenant of a property where it constructed the shopping center and where the shopping center currently operates.

The price agreed upon for such acquisition of a 50% interest is USD 4.5 million payable in 19 monthly installments without recognizing financing interest, and the last installment is due in February 2013.

The purchase of NPSF's shares was conditional upon Ente Administrador Puerto Santa Fe approving the change in the shareholding structure of NPSF and Caja de Asistencia Social Lotería de Santa Fe not raising any objection thereto. As such conditions were met, on August 18, 2011, the shares were transferred. Furthermore, NPSF and Casino Puerto Santa Fe (CPSF) executed a sub-concession agreement that replaces the previous lease agreement to which NPSF was a party.

Accordingly, APSA became the owner of 33.33% and its controlled company Torodur became the owner of 16.66% of the shares, which in the aggregate account for 50% of the capital stock and voting power of NPSF. In turn, GRAINCO S.A. became the owner of the remaining 50% interest.

La Ribera Shopping is located in an area of 43,219 square meters, with 48 retail stores and one 7-screen 2D and 3D multiplex movie theatre, the last screening room of which was opened in August 2012 and features state-of-the-art sound and image technology. It has also a Cultural Center consisting of 510 square meters, and 24,553 square meters including Outdoor Areas and free-of-charge Parking Lot. The gross leaseable area consists of approximately 7,710 square meters.

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

In the fiscal year ended June 30, 2012, the public visiting the shopping center generated nominal retail sales that totaled approximately ARS 135.2 million, which represents period average sales for approximately ARS 437.59 per square meter. Total rental income amounted to ARS 8.65 million in fiscal year ended June 30, 2012 which accounts for monthly revenues per square meter of gross leaseable area of ARS 93.5.

As of June 30, 2012, the occupancy rate was 98.7%.

Development and Sale of Properties and Land Reserves

Residential Development Properties

The acquisition and development of residential apartment complexes and residential communities for sale is one of IRSA's core activities. The development of residential apartment complexes consists of the new construction of high-rise towers or the conversion and renovation of existing structures such as factories or warehouses. In connection with the development of residential communities, IRSA frequently acquires vacant land, develops infrastructure such as roads, utilities and common areas, and sells plots of land for construction of single-family homes. It may also develop or sell portions of land for others to develop complementary facilities such as shopping areas within residential developments.

In fiscal year ended June 30, 2012, revenues from the Development and sale of properties segment amounted to ARS 328.4 million, compared to ARS 341.1 million posted in the fiscal year ended June 30, 2011.

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

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

The following table shows certain information and gives an overview regarding sales and development properties as of June 30, 2012, 2011 and 2010:

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Developments	Date of Acquisition	Estimated /Real Cost (in thousands of ARS)	Area intended for sale (sqm) (2)	Total Units / Lots (3)	IRSA's Effective Interest	Percentage Built	Percentage Sold (4)	Accumulated Sales (in thousands of ARS) (5)	Accumulated Sales as of 30, (in thousands of ARS) 2012 2011	
Residential Apartments										
Torres Renoir (15)	09/09/99	22,861	5,383	28	100.00 %	100.00 %	100.00 %	53,940		
Caballito Nuevo (16)	11/03/97	-	2,966	20	100.00 %	100.00 %	81.18 %	48,418	9,248	39,170
Torres de Rosario (8) (15)	04/30/99	-	4,893	77	95.59 %	100.00 %	3.08 %	10,720	9,190	1,530
Libertador 1703/1755 (Horizons) (14) (17)	01/16/07	399,355	44,648	467	50.00 %	100.00 %	100.00 %	124,176	124,176	92,362
Other Residential Apartments (9)										
	N/A	231,677	158,747	1,660				310,084		1,599
Subtotal Residential Apartments		653,893	216,637	2,252				547,338	142,986	134,661
Residential Communities										
Abril/Baldovinos (10)	01/03/95	130,955	5,137	4	100.00 %	100.00 %	99.50 %	237,062		1,607
El Encuentro (18)	11/18/97	-	26,373	22	100.00 %	100.00 %	64.24 %	13,742	10,260	20,665
Villa Celina I, II and III	05/26/92	4,742	75,970	219	100.00 %	100.00 %	100.00 %	14,028		
Subtotal Residential Communities		135,697	170,480	245				264,832	10,260	22,272
Land Reserves										
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		
Terreno Rosario (8) (19)	04/30/99		31,000	-	95.59 %	0.00 %	100.00 %	38,345	27,273	22,931
Terreno Caballito	11/03/97		7,451	-	100.00 %	0.00 %	100.00 %	-		52,658
Neuquén (8)	07/06/99		4,332	1	95.59 %	0.00 %	100.00 %	-		9,102

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Terreno Baicom	12/23/09	6,905	-	50.00 %	0.00 %	0.00 %	0.00 %	-		
Canteras Natal										
Crespo	07/27/05	4,300,000	-	50.00 %	0.00 %	0.00 %	0.00 %	337	64	63
Thames	11/01/97			100.00 %			100.00 %	20,022	20,022	
Terreno Beruti										
(8)	06/24/08	3,207	-	95.59 %	0.00 %	100.00 %	-			75,373
Pilar	05/29/97	740,237	-	100.00 %	0.00 %	0.00 %	-			
Coto Air Space										
(8)	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
Terreno										
Caballito (8)	10/22/98	23,389	-	95.59 %	0.00 %	0.00 %	-			
Patio Olmos (8)	09/25/07	5,147	-	95.59 %	100.00 %	0.00 %	-			
Other Land										
Reserves (11)	N/A	14,455,235	3					2,213		1,969
Subtotal Land										
Reserves		21,701,711	4					107,228	47,359	173,576
Others										
Madero 1020	12/21/95	5,069	N/A	100.00 %	100.00 %	100.00 %		18,848		
Della Paolera										
265	08/27/07	472	N/A	100.00 %	100.00 %	100.00 %		6,850		
Madero 942	08/31/94	768	N/A	100.00 %	100.00 %	100.00 %		6,137		
Dock del Plata	11/15/06	7,942	N/A	100.00 %	100.00 %	100.00 %		84,206		
Libertador 498	12/20/95	2,484	N/A	100.00 %	100.00 %	100.00 %		93,558	10,600	10,504
Sarmiento 517									233	
Edificios										
Costeros	03/20/97	734	N/A	100.00 %	100.00 %	100.00 %		68,580	69,040	
Libertador 602	01/05/96	677	N/A	100.00 %	100.00 %	100.00 %		10,948		
Museo Renault										
Laminar	03/25/99	6,521	N/A	100.00 %	100.00 %	100.00 %		74,510		
Reconquista 8231	11/12/93	5,016	N/A	100.00 %	100.00 %	100.00 %		31,535		
Locales Crucero										
I		192	N/A	100.00 %	100.00 %	100.00 %		2,006		
Others (12)	N/A	-	N/A	N/A	N/A	N/A		25,283		59
Subtotal Others										
		36,892						422,461	127,800	10,563
TOTAL (13)										
		789,590	22,062,720	2,501				1,341,859	328,404	341,073

Notes:

- (1) Cost of acquisition plus total investment made and/or planned for apartments and residential communities' projects already developed or under development (adjusted for inflation as of 02/28/03, if applicable).-
- (2) Total area intended for sale upon completion of the development or acquisition and before the sale of any of the units (including parking and storage spaces but excluding common areas). In the case of Land Reserves the land area was considered.
- (3) Represents the total units or plots upon completion of the development or acquisition (excluding parking and storage spaces).
- (4) The percentage sold is calculated dividing the square meters sold by the total saleable square meters, which includes sales made under the preliminary sales agreements for which no title deed has been executed yet.
- (5) Includes only the cumulative sales consolidated by the RT21 method adjusted for inflation as of 02/28/03.-
- (6) Corresponds to the company's total sales consolidated by the RT4 method adjusted for inflation as of 02/28/03. Excludes turnover tax deduction.-
- (7) Cost of acquisition plus improvements, plus capitalized interest of consolidated properties in portfolio as of June 30, 2012, adjusted for inflation as of 02/28/03.
- (8) Through Alto Palermo S.A.-
- (9) Includes the following properties: Torres de Abasto through APSA (fully sold), units to be received by Beruti through APSA, Torres Jardín, Edificios Cruceros (fully sold), San Martin de Tours, Rivadavia 2768, Alto Palermo Park (fully sold), Minetti D (fully sold), Dorrego 1916 (fully sold), Padilla 902 (fully sold), Caballito barter receivable and Lotes Pereiraola through IRSA.
- (10) Includes the sales of Abril's shares.
- (11) Includes the following land reserves: Terreno Pontevedra, Isla Sirgadero, Terreno San Luis, Mariano Acosta, Merlo and Intercontinental Plaza II through IRSA, Zetol and Vista al Muelle through Liveck and C.Gardel 3134 (fully sold), C.Gardel 3128 (fully sold), Aguero 596 (fully sold), República Arabe Siria (fully sold), Terreno Mendoza (fully sold), Zelaya 3102, Conil, Soleil air space and Other APSA (Through APSA)
- (12) Includes the following properties: Puerto Madero Dock XIII (fully sold). It also includes income from termination and income due to the reimbursement of common maintenance expenses, stamp tax and associated fees.
- (13) Corresponds to the "Development and sale of properties" business unit mentioned in Note 3 to the Consolidated Financial Statements.
- (14) Owned by CYRSA S.A.
- (15) Corresponds to swap receivables disclosed as "Inventories" in the Consolidated Financial Statements for parcels "G" and "H".
The degree of physical progress of parcel "G" at June 30, 2011 is 100% and of parcel "H" is 84%.
- (16) 63% of the area was sold under deed.
- (17) Gains derived from 99.4% of sales have been recognized as Net Realizable Value.
- (18) 42% of the area was sold under deed.

In the apartment building market, IRSA acquires undeveloped properties strategically located in densely populated areas of the City of Buenos Aires, particularly properties located near shopping centers and hypermarkets or those to be constructed. It then develops multi-building high-rise complexes targeting the middle and high income market. These are equipped with modern comforts and services, such as open “green areas,” swimming pools, sports and recreation facilities and 24-hour security. In the loft buildings market, IRSA’s strategy is to acquire old buildings no longer in use located in areas with a significant middle and upper-income population. The properties are then renovated into unfinished lofts allowing buyers the opportunity to design and decorate them according to their preferences.

Completed Apartment Projects

Torres Jardín, City of Buenos Aires. Torres Jardín is a high-rise residential complex located in the Buenos Aires neighborhood of Villa Crespo, approximately five minutes from Abasto Shopping. Torres Jardín I, II and III have been completed and consist of 490 one, two and three-bedroom residential apartments. The complex also includes 295 spaces of underground parking. As of June 30, 2012, 2 spaces for motorcycle parking were pending sale.

Edificios Cruceros, City of Buenos Aires. “Edificios Cruceros” is a project located in the Puerto Madero area. This dwelling building covers 6,400 square meters of surface area, and it is close to the “Edificios Costeros” office building. This project targets the high-income segment of the population and all its common areas have views to the river. This development was partially financed through the anticipated sale of its apartments. Works have been completed and at June 30, 2012 it is fully sold.

Barrio Chico, City of Buenos Aires. This is a unique Project located in Barrio Parque, an exclusive residential zone in the City of Buenos Aires. During May 2006 the successful marketing of this project was launched. The image of the product was previously developed with the name of “Barrio Chico” with advertisements in the most important media. As of June 30 2012, the project is finished and only 5 parking spaces remain to be sold.

Palacio Alcorta, City of Buenos Aires. Palacio Alcorta is a 191-loft units residential property that was converted from a former Chrysler factory, located in the residential neighborhood of Palermo Chico, one of the most exclusive areas of Buenos Aires City, just a ten-minute drive from downtown Buenos Aires. The loft units range from 60 to 271 sqm. This development project targets the upper-income market. Palacio Alcorta has 165 parking spaces and also seven retail units that belong to IRSA. All of the loft units in the complex have been sold.

Concepción Arenal 3000, City of Buenos Aires. Concepción Arenal 3000 is a 70-loft residential property located in the north-central area of the City of Buenos Aires. Each loft unit has a saleable area of 86 sqm and a parking space. Lofts in this building are targeted towards the middle-income market. As of June 30, 2012, the project had been completed and fully sold.

Alto Palermo Park and Plaza, City of Buenos Aires. Alto Palermo Park is one of two 34-story apartment buildings located two blocks from Alto Palermo Shopping in the exclusive neighborhood of Palermo. Apartments in this building are targeted primarily towards the upper-income market. Alto Palermo Park is located next to its twin building, Alto Palermo Plaza. Both buildings are comprised of three- and four-bedroom apartments with an average area of 158 sqm in the case of Alto Palermo Park and of 294.5 sqm, in the case of Alto Palermo Plaza. Each unit includes an average of 18 and 29 sqm parking/storage space, respectively. These buildings were included with the assets that the Company acquired in November 1997 from Pérez Companc. As of the date of this report, 100% of both towers was sold.

Villa Celina, Province of Buenos Aires. Villa Celina is a 400-plot residential community for the construction of single-family homes located in the residential neighborhood of Villa Celina on the southwestern edge of the City of Buenos Aires. IRSA has been developing this property in several stages since 1994. The first three stages involved 219 lots, each measuring on average 347 square meters and the last two stages involve 181 lots. As of June 30, 2012, 100% of the project had been sold.

Torres Renoir, Dique III. During fiscal year 2006 IRSA closed swap agreements that allowed it to start the construction of these two exclusive residential buildings of 37 and 40 stories. Located in Dique III in Puerto Madero, City of Buenos Aires, this project was directed to a medium-high income public. The project includes amenities and high-class services. As of June 30, 2012, the works were completed and the units were fully sold.

Apartment Projects Currently Under Development

Torre Caballito, City of Buenos Aires. This property, with a surface of 8,404 square meters, is situated in the northern area of Caballito's residential neighborhood in the City of Buenos Aires. On May 4, 2006, IRSA and KOAD S.A. ("KOAD"), an Argentine developer, entered into an asset exchange agreement valued at USD 7.5 million pursuant to which it sold to Koad plot number 36 of "Terrenos de Caballito" whereby KOAD has agreed to develop a residential complex called "Caballito Nuevo", at its costs, consisting of two 34-story towers containing 220 apartments each, consisting of one, two and three bedroom residential units with surface areas ranging from 40 to 85 sqm, totaling approximately 28,000 saleable sqm. The project offers a wide variety of amenities and services. As a result of this transaction, Koad delivered to IRSA 118 apartments and 61 parking lots in the first tower, representing 25% of the total square meters for sale. As of June 30, 2012, 9 apartments and 11 parking spaces are still pending sale.

Horizons Project, Vicente López, Olivos, Province of Buenos Aires. In January, 2007, IRSA acquired the total shares of Rummaala S.A., the main asset of which is a plot of land located in Vicente Lopez, Province of Buenos Aires. The purchase price was USD 21.17 million, payable as follows:

- (i) USD 4.25 million in cash and
- (ii) through the delivery of certain units of the building to be constructed in the land owned by Rummaala in the amount of USD 16.92 million, within a 4-year term as from the later of the approval date of the plans by the competent authorities or the date on which the property is vacated.

As security for compliance with the construction of the future building and transfer of the future units, the shares acquired were pledged.

Simultaneously with the foregoing transaction, Rummaala acquired a plot of land adjacent to its own property for a total purchase price of USD 15.0 million, payable as follows:

- (i) USD 0.5 million in cash;
- (ii) through the delivery of certain units of buildings Cruceros I and II in the amount of USD 1.25 million and
- (iii) through the delivery of certain units of the building to be constructed in the land acquired for a total purchase price of USD 13.25 million, within a 40-month term as from the later of the approval date of the plans by the competent authorities or the date on which the property is vacated.

As security for compliance with the construction of the future building and transfer of the future units, the property located at Suipacha 652 was mortgaged.

In April 2007, IRSA created CYRSA S.A. (“CYRSA”) jointly with Cyrela Brazil Realty S.A. Empreendimentos e Participações (“CYRELA”) in order to have a corporate vehicle to facilitate the development of a specific project together with one or more investors having in-depth knowledge and vast experience in the industry. To that end, IRSA contributed 100% of the capital stock in Rummaala S.A. and the debt in kind associated to the acquisition of the land to CYRSA for a net amount of \$ 21.5 million, whereas CYRELA contributed \$ 21.5 million (an amount equivalent to the value of the shares that IRSA contributed).

IRSA-CYRELA’s development project in this plot made up by two adjacent blocks in the Vicente López neighborhood, was launched in March under the name “Horizons”. It is one of the most significant developments in Greater Buenos Aires, which entailed a new concept in residential complexes given its emphasis on the use of common spaces. This project includes two complexes with a total of six buildings; one of them facing the river with three 14-floor buildings (the “River” complex) and the other on Avenida del Libertador with three 17-floor buildings (the “Park” complex), totaling 59,000 sqm of constructed surface area for sale distributed in 467 units (to the exclusion of the units to be delivered in exchange for the acquisition of land). With its unique and innovating style in residential complexes, Horizons has 32 amenities, including a meeting room; a work zone; heated swimming pools; club house and spa, sauna, gym, children room, teen room; theme-park areas; and aerobic trail, to name but a few. The showroom was opened to the public in March 2008 with immediate success.

As of June 30, 2012, preliminary sales agreements had been executed for 100% of our own units on sale. The Towers located in both blocks are completed and the title deeds of its units are being executed. Delivery of the last units is expected to be completed during fiscal year 2012-2013.

Private Residential Communities

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

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

adopt this lifestyle.

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As of June 30, 2012, residential communities for the construction of single-family homes for sale in Argentina had a total of 5,137 square meters of saleable area in Abril, and 26,373 sqm of saleable area in “El Encuentro” (Benavidez). Both residential communities are located in the province of Buenos Aires.

Abril, Hudson, Greater Buenos Aires. Abril is a 312-hectare private residential community located near Hudson City, approximately 34 kilometers south of the City of Buenos Aires. IRSA has developed this property into a private residential community for the construction of single family homes targeting the upper-middle income market. The project includes 20 neighborhoods subdivided into 1,273 lots of approximately 1,107 square meters each. Abril also includes an 18-hole golf course, 130 hectares of woodlands, a 4,000-square meter mansion and entertainment facilities. A bilingual school, horse stables and sports centers and the construction of the shopping center were concluded in 1999. The neighborhoods have been completed, and as of June 30, 2012, 99.6% of the property had been sold for an aggregate of over ARS 240 million, with 5,137 square meters available for sale.

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

As of June 30, 2012, after having started its commercialization in March 2010, 84 units have been sold; there are reserves for 6 units for an amount of USD 0.82 million, and 22 units are available for sale.

Land Reserves

IRSA has acquired large undeveloped properties as land reserves located in strategic areas for the future development of office and apartment buildings, shopping centers and single family housing. IRSA acquired what it believes to be two of the largest and most important undeveloped river front plots in Buenos Aires, Puerto Retiro and Santa María del Plata, for the future development of residential and office spaces. In addition, IRSA has benefited from the improvement of land values during periods of economic growth. As of June 30, 2012, land reserves totaled 25 properties consisting of approximately 2,160 hectares (including the lot in Caballito, and the air space over Coto C.I.C.S.A. - “Coto”- where it holds interests through its subsidiary Alto Palermo).

Land Reserves in the City of Buenos Aires

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

A rule passed by the Legislative Branch of the City of Buenos Aires in 1992 provided general urban standards to the site, and stated that the “Site urban design” was to be submitted for approval of the Environmental Urban Plan Council (Consejo de Planificación Urbana - “COPUA”). As from the acquisition of this property, IRSA has been seeking the municipal approvals necessary for the development of a mixed project in the area.

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

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

In June 2007, IRSA sold 10% of Solares de Santa María’s stock capital for USD 10.6 million to Mr. Israel Sutton Dabbah, a non-related third party, who is member of the Sutton Group. USD 1.6 million were paid and the balance of USD 9.0 million was paid on June 23, 2010.

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

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

On the first days of September 2010, and after the end of fiscal year 2010, IRSA acquired (through E-commerce Latina S.A.) a 100% interest in Unicity for the sum of US\$ 2.5 million. The main asset of Unicity includes 31,491,932 shares representative of 10% of Solares de Santa María S.A.’s stock capital and pursuant to which it holds liabilities with IRSA for the purchase price balance, which as of even date amounts to US\$ 9.1 million.

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

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

Beruti plot. During June 2008, APSA acquired a plot of land situated at Beruti 3351/3359, between Bulnes and Avenida Coronel Díaz in Palermo, a neighborhood in the City of Buenos Aires quite close to our Shopping Center known as “Alto Palermo Shopping”. The transaction involved a surface area of 3,207 sqm for a price of USD 17.8 million. This has been a significant acquisition because of the strategic location of the property, in the immediate vicinity of our main shopping center.

In October 2010, the lot was sold to TGLT for USD 18.8 million. As consideration for the sale, APSA received USD 10.7 million in cash upon the execution of the preliminary sales agreement. As consideration for the balance, APSA will receive 17.33% of the apartments’ saleable area, 15.82% of the residential parking spaces and 170 business parking spaces located in the first and second underground levels. As security for the transaction, TGLT delivered to APSA a performance bond for USD 4.0 million and a first-degree mortgage in the name of APSA for USD 8.1 million, over the lot. Delivery is expected to take place in November 2013.

Terreno Paraná. On June 30, 2009, APSA executed a “Letter of Intent” whereby it stated its intention to acquire a plot of land of approximately 10,022 sqm in the City of Paraná, Province of Entre Ríos, to be allocated to the construction, development and exploitation of a shopping center or mall. The purchase price was USD 0.5 million, out of which at the beginning of July 2010, the sum of USD 0.05 million was paid as advance payment, in August 2010 USD 0.1 million was paid, and the remaining USD 0.35 million will be paid upon the execution of the title deed. The certificate of possession of the Lot was executed on December 29, 2012.

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

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

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

Coto Residential Project. Alto Palermo owns approximately 24,000 sqm in air space over the top of the Coto hypermarket that is close to the Abasto Shopping Center in the heart of the City of Buenos Aires. Alto Palermo S.A. and Coto Centro Integral de Comercialización S.A. (Coto) executed and delivered a deed dated September 24, 1997 whereby APSA acquired the rights to receive parking units and the rights to build on top of the premises located in the block formed by the streets Agüero, Lavalle, Guardia Vieja and Gallo, in the Abasto neighborhood.

Terreno Baicom. On December 23, 2009, IRSA acquired 50% of a parcel located in the surroundings of the Buenos Aires Port, for a purchase price of ARS 4.5 million. The property's total surface area is 6,905 sqm and there is a construction permit associated for 34,500 sqm in line with the City of Buenos Aires urban construction rules and regulations.

Land reserves in the Province of Buenos Aires

Sale of Pereiraola, Hudson. Directly and indirectly through Inversora Bolivar, IRSA had a 100.0% interest in Pereiraola S.A., a company whose principal asset is a 130-hectare undeveloped property adjacent to Abril, a private residential community developed by IRSA.

On April 21, 2010, IRSA entered into a purchase and sale agreement with a third party whereby IRSA agrees to sell 100% of Pereiraola S.A.'s shares. The total price of the transaction was established at USD 11.8 million plus VAT, which meant a gain of ARS 21.7 million over book value.

On June 25, 2010, IRSA accepted a purchase bid for USD 11,786,972, to be paid partly in cash and partly in kind. For the cash-based payment, the buyer has paid IRSA USD 1,940,000. The USD 7,760,000 balance will be paid in 4 half-yearly, equal and consecutive installments of USD 1,940,000 each. As to the non-monetary part of the transaction, the buyer will transfer ownership to IRSA over certain lots within 36 months starting on the date its bid is accepted.

After the end of the period, late in July 2012, the buyer paid the monetary portion of consideration and therefore only delivery of the promised lots is pending.

To secure payment of the price, the buyer sets up a pledge over Pereiraola's shares, which remain in IRSA's custody. Besides, the buyer created a first-degree mortgage in IRSA's favor over the property.

Pilar. Pilar is a 74-hectare undeveloped land reserve property located close to the city of Pilar, 55 kilometers northwest of downtown Buenos Aires. The property is easily accessible due to its proximity to the Autopista del Norte highway. Pilar has become one of Argentina's fastest developing areas. IRSA is considering several alternatives for this property including the development of a residential community or the sale of this property in its current state and, therefore, it does not have a cost estimate or financing plan. The plot's book value is estimated to be ARS 3.4 million as of June 30, 2012.

Land reserves in other provinces

Torres Rosario Project, City of Rosario, Province of Santa Fe. APSA owns a block of land of approximately 50,000 sqm divided into 8 smaller plots in the City of Rosario, near the Alto Rosario Shopping Center. At June 30, 2012, 2 of the plots had been bartered with Condominios del Alto S.A. (plots 2-G and 2-H).

As consideration for the barter of parcel 2-G (totaling a surface area of 10,128 sqm for sale), in December 2011 Condominios del Alto S.A. transferred 15 apartments, with a total constructed area of 1,504.45 sqm (representative of 14.85% of the total building constructed in this parcel) and 15 parking spaces (representative of 15% of the total parking surface area to be constructed in this property). These units are already for sale since May 2010.

As consideration for the barter of parcel 2-H (totaling a surface area of 14,500 sqm for sale), Condominios del Alto S.A. will transfer 42 apartments, with a total constructed surface area of 3,188 sqm (representative of 22% of the total building to be constructed in this parcel) and 47 parking spaces (representative of 22% of the total parking surface area to be constructed in this property). The degree of completion of parcel 2-H is 84%.

As of June 30, 2012, the rest of the parcels of Block 2 had been sold, as per the following detail. Parcel 2-A was sold for USD 4.2 million and its title deed was executed in June 2011; parcel 2-B was sold for USD 1.51 million and its title deed was executed in June 2011; parcel 2-C was sold for USD 1.51 million and its title deed was executed in June 2011; parcel 2-D was sold for USD 1.54 million, to be collected in 5 installments (4 installments of USD 0.257 million collected in February, July and August 2011, a fourth one collected in November 2011 and the fifth one collected in February 2012 for USD 0.513 million, on which date the title deed was executed in the name of buyer); parcel 2-E was sold for USD 1.43 million and its title deed was executed in May 2010; and parcel 2-F was sold for USD 1.93 million and its title deed was executed in June 2011. On December 28, 2011 Condominios del Alto transferred to APSA title to the 15 apartment units and 15 parking spaces comprising the non-monetary portion of consideration under the Barter Agreement for 2G parcel entered into in October 2007. Therefore, APSA discharged the mortgage on the property that secured payment of the consideration.

Condominios del Alto I- (parcel 2-G)

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

As of June 30, 2012, the project had been completed and 7 apartments with parking space had been sold, with 8 apartments, 8 parking spaces and one storage space being available for sale.

Condominios del Alto II – (parcel 2-H)

The project will be composed of two opposite blocks of buildings, commercially divided into 10 sub-blocks. The project will include a total of 189 apartments distributed in 6 floors and 195 parking spaces located in two basements. The amenities will include a swimming pool with solarium, a multiple use room, sauna, a gym with dressroom and a laundry. As of June 30, 2012 the project had been completed and deliveries are in progress, with 35 apartments (3,601 sqm), 41 parking spaces and 5 storage spaces being available for sale.

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

On June 12, 2009, a new agreement was executed with the Municipality of Neuquén whereby we were required to submit the blueprints of the new Road Project (including the additions to the project agreed upon) and the blueprints of the Modified General Project. The respective modifications to the blueprints mentioned were filed on October 19, 2009. Then, the Municipality of Neuquén raised some objections that were duly responded. On January 18, 2010, the Municipality of Neuquén requested corrections to the blueprints filed and imposed a 30-day term for filing them. Finally, APSA was notified that the architectural project had been registered, which triggered, on April 8, 2010, the commencement of a term of 90 running days for the start of the shared works. APSA submitted the working plans for the first stage of the works (which contemplate the construction of the Shopping Center and the Hypermarket) and was granted the authorizations necessary to start working. On July 5, 2010, well within the 90-running day term already mentioned, APSA started the shared works.

The first stage of the works is to be finished in a maximum 22-month period counted as from the date of commencement of the construction works. In the event of a breach of the conditions agreed upon, the Municipality of Neuquén is entitled to terminate the agreement and proceed as necessary, which means that the Municipality of Neuquén is entitled to demand that the parcels it sold to the Company be returned.

On June 18, 2009, Shopping Neuquén S.A. received from the company G&D Developers S.A. USD 119 thousand as price for the sale of a lot of approximately 4,332 sqm located in the surroundings of the property that will host the shopping center, though separate from it, in the framework of the negotiations conducted with the Municipality of Neuquén.

As of June 30, 2012, the area that was planned to be used for construction of a Hypermarket had been sold to a subsidiary of COTO.

On June 4, 2012, pursuant to an agreement entered into between Shopping Neuquén S.A. and the Municipality of Neuquén, a new extension was agreed to resume works on the site, following appointment of a new constructor. The new deadlines contemplate the Appointment of a constructor and Resumption of Works.

Ex Escuela Gobernador Vicente de Olmos, Córdoba, Province of Córdoba. In November 2006 we participated in a public bidding process called by Corporación Inmobiliaria Córdoba S.A. for the sale of the building known as Ex Escuela Gobernador Vicente de Olmos, located in the City of Córdoba. The building has 5,147 sqm of surface area. Inside the building there is a portion of the Patio Olmos shopping center, which operates in four commercial floors and has two underground parking lots. This shopping center also includes two neighboring buildings with cinemas and a commercial annex connected to the area covered by the call for bids and legally related through easement contracts. The building is under a concession contract effective for a 40-year term, expiring in February 2032, in which we acted as grantor. On September 25, 2007, the Government of the Province of Córdoba executed and delivered the title deed conveying the property where the Patio Olmos Shopping Center is currently operating, together with the transfer of the respective concession contract.

Canteras Natal Crespo, Province of Córdoba. The first guidelines for development of this project are in progress on the basis of the Master Plan of the Chilean architect firm called URBE. Also, preliminary filings have been submitted to the Municipality of La Calera and to the Provincial Government.

This undertaking is characterized by an attractive and varied residential offer of land, dwelling areas of low and medium density, and commercial and social areas. Each one of the quarters will have a full service infrastructure and will be distinguished by the particularities of the land in the outstanding natural environment of the Sierras Chicas of the Province of Córdoba.

Canteras Natal Crespo S.A. is a company located in the Province of Córdoba that will have as main activity the urbanization of own or third parties plots of land, the so-called countries, lots for sale or rent, production of quarries, real estate business and construction of houses.

Purchase of Nobleza Piccardo's Plant

We have acquired, through a subsidiary in which we have a 50% interest, the property where Nobleza Piccardo has its manufacturing plant. It is located in the City of San Martín (Av. San Martín 601), in the Province of Buenos Aires; and due to its size and location it is an excellent site for the future development of different segments. The total area of its plot is 160,000 sqm with a built area of 81.786 sqm. According to the executed agreement, Nobleza Piccardo will lease 100% of the plot during the first year, vacating it partially until the 3rd lease year, at which time it will vacate the whole plot.

During the first lease year, the rental area is 80,026 sqm including storehouses and offices and during the second year of lease, the leased area will be reduced to 27,614 sqm.

We are preparing a Master Plan in order to apply before the authorities of San Martín's Town Hall for the zoning parameters that will allow us to develop a mixed-use project.

On May 16 the Municipality of San Martín approved the pre-feasibility application for business, entertainment, event, office and other uses.

On May 30, by accepting a letter of Offer of Shares APSA acquired 100% of IRSA's shares in Quality Invest S.A. (50% of all shares), a Company whose sole asset is the lot where the manufacturing plant and administrative offices of Nobleza Piccardo operated. The property area is 160,000 square meters, the built area is 80,000 square meters, and it is located only 200m away from the intersection of Av. San Martín and Av. Gral Paz in the district of San Martín.

The transaction amounted to USD 9,700,000.

Other Land Reserves

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

Hotels

At the end of the 1997 fiscal year, IRSA acquired the Hotel Llao Llao, its first luxury hotel. Some months later, as part of the acquisition from Pérez Companc of the Old Alto Palermo, it acquired an indirect 50% interest in Hotel Intercontinental in Buenos Aires which it owns through its subsidiary Inversora Bolívar. In March 1998, IRSA acquired the Hotel Libertador. During fiscal year 1999, it sold a 20% interest in the Hotel Libertador to Hoteles Sheraton de Argentina S.A.C., ("Hoteles Sheraton de Argentina") and during the fiscal year 2000, it sold 50% of its

interest in the Hotel Llao Llao to the Sutton Group. During fiscal year 2007 IRSA increased its share in Inversora Bolivar by 100% and obtained an indirect share in the Hotel Intercontinental of 76.34%.

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The following chart shows certain information regarding our subsidiary IRSA's luxury hotels:

Hotels	Date of Acquisition	IRSA's Effective Interest	Number of rooms	Average Occupancy (1)	Average price per room (ARS) (2)	Accumulated sales as of June 30, (ARS 000)			Book Value (ARS 000)
						2012	2011	2010	
Intercontinental (3)	11/01/97	76.34%	309	75%	695	85,977	78,841	64,092	52,476
Sheraton Libertador (4)	03/01/98	80.00%	200	85%	614	55,642	43,786	36,996	37,795
Llao Llao (5)	06/01/97	50.00%	201	21%	1,071	28,393	70,256	58,806	70,430
Terrenos Bariloche (5)	12/01/06	50.00%	N/A	N/A	N/A	N/A	N/A	N/A	21,900
Total	-	-	710	63%	701	170,013	192,883	159,894	182,601

Notes:

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

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

Hotel Intercontinental, City of Buenos Aires. In November 1997, IRSA acquired 51% of the Hotel Intercontinental from Pérez Companc S.A. The Hotel Intercontinental is located in the downtown City of Buenos Aires neighborhood of Monserrat, near the Intercontinental Plaza office building. Intercontinental Hotels Corporation, a United States corporation, currently owns 24% of the Hotel Intercontinental. The hotel's meeting facilities include eight meeting rooms, a convention center and a divisible 588 sqm ballroom. Other amenities include a restaurant, a business center, a sauna and a fitness facility with swimming pool. The hotel was completed in December 1994 and has 309 rooms. The hotel is managed by the Intercontinental Hotels Corporation.

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

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

Other Investments in Argentina and Abroad

Acquisition of companies in the real estate business in the Republic of Uruguay

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

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

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

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

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

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

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

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

On December 17, 2010, IRSA and Cyrela executed a stock purchase agreement pursuant to which IRSA purchased from Cyrela a 50% stake in Liveck S.A. for USD 2.7 million. Accordingly, as of June 30, 2012, IRSA's stake, through Tyrus, in Liveck is 100%.

IRSA intends to carry out an urban project consisting in the construction of apartment buildings to be subsequently sold. The project has been granted the requisite “urban feasibility” status by the Mayor’s Office of the Canelones department and by its local legislature.

Lipstick building, New York, United States

In July 2008, IRSA (through its subsidiaries) acquired a 30% equity interest in Metropolitan, whose net equity is mainly an office building known as “Lipstick Building”, and the debt related to this asset. The transaction included the acquisition of (i) put rights effective July 2011 over 50% of the interest purchased for a price equal to the amount invested plus interest at a rate of 4.5% per annum and (ii) a right of first offering for the acquisition of 60% of the 5% equity interest. The price paid for the transaction was USD 22.6 million.

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

- (i) the mortgage debt was reduced from USD 210.0 million to USD 130.0 million at a Libor rate + 400 basis points, subject to a cap of 6.25% and a 7-year maturity term;
- (ii) the junior debt, amounting to USD 45.0 million (excluding accrued interest) was repaid with the payment of USD 2.25 million; and
- (iii) the existing ground leases will be maintained under the same terms and conditions as they were granted, in principle for a remaining period of 66 years.

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

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

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

As of June 30, 2012, this building had an occupancy rate over 86% generating average revenues above USD 63.0 per sqm per month.

In the last year 5 new lease agreements were executed in respect of an area equal to 1547 sqm, generating average monthly revenues of USD 74.5/sqm. In addition, 3 agreements were renewed in respect of an area of 808 sqm with average monthly revenues of USD 69.5/sqm. While the building net absorption rate was somewhat negative (-2.57%), the average rental amount compared to the previous year rose by 5% (from USD 60/sqm to USD 63/sqm).

In respect of the “turn key” offices constructed on floor 26, 3 of them were occupied, and the last one is available for lease. Going ahead with the turn key office development program, designs are in progress to build more spaces on floors 17, 19, 27 and 31, which were also entrusted to the architecture firm Gensler. In addition, in July remodeling of the exterior of the Lobby was completed and a photo exhibition about the life of Philip Johnson was inaugurated and curated by Hillary Lewis; both works were entrusted to the renowned firm Moed de Armas & Shannon.

Building located at 183 Madison Avenue, New York, NY

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

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

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

As of June 30, 2012, the building's occupancy rate was 93% with new agreements executed in respect of an area equal to approximately 9,300 sqm from August to year end with an average monthly rent of USD 45/sqm, resulting in a 11.5% increase in the total average rent for the whole building (from USD 35/sqm to USD 39/sqm). In this period remodeling works were performed and completed in all common areas of the building and "turn key" offices were built on several floors, with an investment over USD 10 MM. Furthermore, in September 2011 the building was declared "New York City Landmark" and its lobby was declared "New York City Interior Landmark".

Investment in Hersha Hospitality Trust

On August 4, 2009, through Real Estate Investment Group L.P. ("REIG"), a company indirectly controlled and managed by our Company, together with other minority investors, we acquired 5.7 million common shares of Hersha, a leading company in the hotels segment in the United States, for a total purchase price of USD 14.3 million. Accessorily to the initial acquisition of our equity interest in Hersha, we received an option to buy up to 5.7 million additional common shares in Hersha at a price of USD 3.00 per share exercisable at any time prior to July 31, 2014 subject to certain conditions.

In January 2010, we acquired 4.8 million additional shares for a total price of USD 14.4 million, increasing our stake in Hersha to 10.3%. In turn, on March 24, 2010, Hersha resolved upon a capital increase whereby it issued 27,600,000 Class A common shares. In connection with this increase we exercised our preemptive subscription rights granted under the initial transaction and acquired 3,864,000 additional Class A common shares for a price per share of USD 4.25, for a total amount of USD 16.4 million. In October 2010, under the scope of the new issue of capital, we acquired 2,952,625 Class A common shares, at a price per share of USD 5.8 for a total amount of USD 17.1 million. Then, during this fiscal period, we sold a total of 2,542,379 Class A common shares for a total amount of USD 16.1 million.

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

As of June 30, 2012, the Company's direct and indirect interest in Hersha accounts for 9.13%.

Hersha is a REIT traded in the New York Stock Exchange, under the "HT" ticker. Hersha's investments are mainly in institutional hotels located in business hubs, urban and retail centers and secondary tourist destinations and markets mainly along the US Northeast as well as in some select niches in the US West coast. Hersha chooses its acquisitions in locations that it perceives as booming markets and relies on intensive management to create and enhance long-term value added.

As of June 30, 2012, Hersha's portfolio of hotels comprises majority stakes in 56 hotels and ownership interests in 8 hotels through joint ventures. These hotels are all within the "select service" and "upscale hotels" categories. In the aggregate, Hersha's 64 hotels represent over 9,221 rooms and are mainly located in Arizona, California, North Carolina, Connecticut, Delaware, Maryland, Massachusetts, New Jersey, New York, Pennsylvania, Rhode Island and Virginia. The properties are operated under highly prestigious, leading franchises (such as Marriott®, Courtyard by Marriott®, Residence Inn®, Fairfield Inn®, Springhill Suites®, TownePlace Suites®, Hilton®, Hilton Garden Inn®, Hampton Inn®, Homewood Suites®, Hyatt Summerfield Suites®, Holiday Inn®, Holiday Inn Express®, Comfort Inn®, Mainstay Suites®, Sleep Inn®, Sheraton Hotel®, and Hawthorn Suites®)). Hersha also operates some of its hotels through independent boutique hotel chains.

Investment in Supertel Hospitality Inc.

In March 2012, IRSA, through its subsidiary Real Estate Strategies, L.P., in which it holds a 66.8% interest, consummated the transaction for the acquisition of 3,000,000 Series C convertible preferred shares issued by Supertel Hospitality Inc. (SHI) in an aggregate amount of USD 30,000,000. Such preferred shares will bear an annual 6.25% preferred dividend and will carry the same voting rights as common shares.

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

Furthermore, pursuant to the Agreement, the Investment Company has received warrants to acquire 30 million additional common shares. Subject to certain restrictions, the warrants may be exercised at any time during the 5-year period from closing of the transaction (such exercise being mandatory under certain conditions following 3 years from such closing) at a price of USD 1.20 per share.

Pursuant to the investment agreements, RES is entitled to appoint up to 4 directors out of a total number of 9 directors and to exercise preemptive rights over future issues of shares. As of the date hereof, RES has appointed the 4 directors and holds voting rights in respect of a 34% interest in SHI. Likewise, exercise of the rights of conversion into common shares under both the preferred shares and warrants is limited to the same percentage.

Supertel is a REIT listed in Nasdaq with the symbol “SPPR” and is focused on middle-class and long-stay hotels in 23 states in the United States of America, which are operated by various operators and franchises such as Comfort Inn, Days Inn, Hampton Inn, Holiday Inn, Sleep Inn and Super 8, among others.

Competition

Offices and other non-shopping center rental properties

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

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

Shopping centers

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

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

Company	Shopping Center	Location(1)	Gross Leaseable Area (sqm)	Shops	National gross leaseable area(2) (%)	Shops(2) (%)		
APSA								
	Abasto de Buenos Aires	CABA	41,464	174	2.41	%	2.84	%
	Alto Palermo Shopping	CABA	18,617	143	1.08	%	2.34	%
	Buenos Aires Design(3)	CABA	13,777	62	0.80	%	1.01	%
	Dot Baires Shopping	CABA	49,527	152	2.88	%	2.48	%
	Paseo Alcorta(4)	CABA	52,736	111	3.07	%	1.81	%
	Patio Bullrich	CABA	11,742	83	0.68	%	1.36	%
	Córdoba Shopping(4)	Córdoba	22,175	107	1.29	%	1.75	%
	Alto Avellaneda(4)	GBA	67,914	140	3.95	%	2.29	%
	Soleil	GBA	24,512	69	1.43	%	1.13	%
	Mendoza Plaza Shopping(4)	Mendoza	40,673	148	2.37	%	2.42	%
	Alto Rosario (4)	Rosario	40,906	146	2.38	%	2.39	%

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Alto Noa(4)	Salta	19,001	92	1.11	%	1.50	%
La Ribera Shopping	Santa Fe	7,719	49	0.45	%	0.80	%
Subtotal		410,763	1,476	23.90	%	24.12	%
Cencosud S.A.							
Portal de Palermo(4)	CABA	32,252	36	1.88	%	0.59	%
Portal de Madryn	Chubut	4,100	26	0.24	%	0.43	%
Factory Parque Brown(4)	GBA	31,468	91	1.83	%	1.49	%
Factory Quilmes(4)	GBA	43,405	47	2.53	%	0.77	%
Factory San Martín(4)	GBA	35,672	31	2.08	%	0.51	%
Las Palmas del Pilar Shopping(4)	GBA	50,906	131	2.96	%	2.14	%
Plaza Oeste Shopping(4)	GBA	41,120	146	2.39	%	2.39	%
Portal Canning(4)	GBA	15,114	21	0.88	%	0.34	%
Portal de Escobar(4)	GBA	31,995	31	1.86	%	0.51	%
Portal Lomas(4)	GBA	32,883	50	1.91	%	0.82	%
Unicenter Shopping(4)	GBA	94,279	287	5.49	%	4.69	%
Portal de los Andes (4)	Mendoza	33,154	45	1.93	%	0.74	%
Portal de la Patagonia(4)	Neuquén	38,468	94	2.24	%	1.54	%
Portal de Rosario(4)	Rosario	66,361	182	3.86	%	2.98	%
Portal de Tucumán(4)	Tucumán	21,301	94	1.24	%	1.54	%
Portal de Trelew (4)	Chubut	21,812	69	1.27	%	1.13	%
Subtotal		594,290	1,381	34.59	%	22.61	%
Other Operators		712,895	3,260	41.51	%	53.29	%
Total		1,717,948	6,117	100	%	100	%

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

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

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

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

Source: Argentine Chamber of Shopping Centers.

Indebtedness

The following table shows our indebtedness as of June 30, 2012:

	Currency	Schedule of Maturities or Amortization					Total (2)	Annual Average Interest Rate
		Less than 1 year (1)	More than 1 year and up to 2 years	More than 2 years and up to 3 years	More than 3 years and up to 4 years	More than 4 years		
(in million Pesos, constant currency as of June 30, 2012) (3)								
Bank and Other debt								
Bank loans (4)	ARS	269.0	-	-	-	-	269.0	
Bank loans (4)	USD	211.0	9.9	5.3	44.0	-	270.2	
Bank loans (3) (4)	BRL	71.9	23.6	6.0	-	-	101.5	
Secured bank loans (3)	USD	2.8	-	-	-	-	2.8	
Secured bank loans (3)	BRL	24.5	29.0	23.4	32.9	-	109.8	
Cresud's Series IV Notes (3) (5)	USD	18.6	-	-	-	-	18.6	7.75
Cresud's Series V Notes (5)	ARS	69.6	-	-	-	-	69.6	variable (Badlar + 375 bps)
Cresud's Series VI Notes (3) (5)	USD	107.5	-	-	-	-	107.5	7.50
Cresud's Series VII Notes (3) (5)	USD	9.3	-	-	-	-	9.3	variable (4.00% + upside soybean)
Cresud's Series VIII Notes (3) (5)	USD	6.4	269.9	-	-	-	276.3	7.50
Cresud's Series IX Notes (5)	ARS	50.3	100.5	-	-	-	150.8	variable (Badlar + 300 bps)
Cresud's Series X Notes (3) (5)	USD	0.3	138.4	-	-	-	138.7	7.75
Cresud's Series XI Notes (3) (5)	USD	0.2	19.6	39.3	-	-	59.1	variable (Badlar + 375 bps)
APSA's Series I Notes (3) (5) (6)	USD	4.6	(0.5)	(0.9)	(9.2)	482.4	476.4	8.00
IRSA's Series I Notes (3) (5) (7)	USD	23.2	(0.7)	(0.7)	(11.3)	678.0	688.5	8.80
IRSA's Series II Notes (3) (5)	USD	34.0	(0.9)	(0.9)	(0.9)	663.8	695.1	11.50
IRSA's Series III Notes (5)	ARS	102.9	(0.6)	(0.6)	(0.6)	52.8	153.9	Badlar+249 bps
	USD	38.3	(2.0)	(2.0)	(2.0)	120.6	152.9	7.45

IRSA's Series IV

Notes (3) (5)

Seller financing (3)	USD	17.7	1.5	-	-	-	19.2
Secured seller financing (3)	USD	32.1	21.5	4.1	4.1	50.5	112.3
Unsecured debt for purchase of establishments (8)	USD	18.7	-	-	-	-	18.7
Secured debt for purchase of establishments (3) (8)	BRL	91.5	-	-	-	-	91.5
Financial leases (3)	USD	1.1	0.1	0.2	0.1	0.1	1.6
Total bank and other debt		1,205.5	609.3	73.2	57.1	2,048.2	3,993.3

(1) Includes accrued interest.

(2) Figures may not sum due to rounding.

(3) Exchange rate as of June 30, 2012 USD 1.00 = ARS 4.527 and BRL = ARS 2.239

(4) Includes bank overdrafts.

(5) Includes issuance expenses (under Argentine GAAP, expenses incurred in connection with the issuance of debt are classified as short or long term debt, as applicable).

(6) Includes (9.2) of higher values.

(7) Includes (10.6) of higher values.

(8) Included under Trade account payables in the consolidated balance sheet.

Cresud's Series III and Series IV Notes

Under its USD 50,000,000 Global Note Program, on July 21, 2010, Cresud issued two series of Notes for an aggregate amount of ARS 105.8 million:

Series III, for a principal amount of ARS 35.6 million, maturing 21 months after their issue date, accruing interest at a variable interest rate (BADLAR Private + 400 bps), and repayable in three installments due on October 17, 2011, January 16, 2012, and April 23, 2012. At the closing of fiscal year 2012, this series had been fully repaid.

Series IV, for a USD amount equivalent to ARS 70.2 million, maturing 24 months after their issue date, accruing interest at a 7.75% interest rate per annum, and repayable in 4 equal installments due on October 17, 2011, January 16, 2012, April 16, 2012 and July 23, 2012. As of the date of release of these financial statements, this series had been fully repaid.

Cresud's Series V, Series VI and Series VII Notes

As a result of the increase approved on February 18, 2011, the maximum principal amount of the Global Note Program rose to USD 150,000,000.

On March 10, 2011, Cresud issued three series of Notes for a total amount of ARS 255.7 million:

Series V Notes, for a principal amount of ARS 106.9 million, maturing 21 months after their issue date, and accruing interest at a variable rate (Badlar plus 375 basis points). Interest is payable every three months in arrears, and the principal amount is repayable in three consecutive payments due within 15, 18 and 21 months after their issue date.

Series VI Notes, for a principal amount of USD 34.8 million, maturing 24 months after their issue date, and repayable in pesos at the exchange rate prevailing on each payment date. The notes accrue interest at a fixed rate of 7.50% per annum, payable every three months in arrears, and the principal amount is repayable in four equal consecutive installments due within 15, 18, 21 and 24 months from their issue date.

Series VII Notes, for a principal amount of USD 2.1 million, maturing 24 months after their issue date, and repayable in pesos at the exchange rate prevailing on each payment date. The notes accrue interest at a fixed minimum nominal rate of 4% per annum plus a Bonus Factor (40% of the appreciation of soybean over the period), if applicable, payable every three months in arrears. The principal amount falls due on the maturity date.

Cresud's Series VIII Notes

On August 29, 2011, the Board of Directors approved the Pricing Supplement relating to the issuance of the Fourth Tranche of Series VIII Notes under the Company's USD 150 million Program resolved upon by the Shareholders' Meeting.

Subsequently, between August 30 and September 2, 2011, the Fourth Tranche of simple (non-convertible) Notes was subscribed. These notes were issued on September 7, 2011, as of which date all the proceeds had been collected.

Series VIII Notes, for a principal amount of USD 60 million, are denominated in U.S. dollars and are repayable within 36 months from their issue date. Repayment of 100% of the principal amount falls due upon maturity. These notes accrue interest at a fixed rate of 7.5%, payable semi-annually on September 7 and March 7 of each year.

Cresud's Series IX, X and XI Notes

Under its USD 300,000,000 Global Note Program, on June 21, 2012, Cresud issued three series of Notes for a total principal amount of ARS 383.1 million:

Series IX Notes, for a principal amount of ARS 161.0 million, maturing 18 months after their issue date, accruing interest at a variable rate (Badlar Private + 300 bps), and repayable in three consecutive payments due within 12, 15 and 18 months after their issue date.

Series X Notes, for a U.S. dollar equivalent to ARS 141.6 million, maturing 24 months after their issue date, accruing interest at a rate of 7.75% per annum, and repayable in four equal consecutive installments due within 15, 18, 21 and 24 months after their issue date.

Series XI Notes, for a principal amount of ARS 80.5 million, maturing 36 months after their issue date, accruing interest at a variable rate (Badlar Private + 375 bps), and repayable in three consecutive payments due within 24, 30 and 36 months after their issue date.

The three series were issued under the in-kind subscription method, using the interest coupon of Series IV, Series V and Series VI Notes that fell due immediately thereafter.

Banco Ciudad Financial Loan

On January 10, 2012, the Company entered into a USD 20 million loan agreement with Banco Ciudad, which provides for several drawdowns.

The proceeds will be applied to implement an investment project consisting in the conversion of 15,934 hectares currently used for cattle breeding, located in “Los Pozos” farm, to be used for agriculture.

The principal amount accrues compensatory interest at the higher of the following rates: an annual nominal rate equivalent to 180-day LIBOR plus a margin of 300 basis points or a 6% annual nominal rate. Interest is payable semi-annually, and the principal amount is repayable on an annual basis beginning on the date that is the second anniversary of the first drawdown.

On January 18, 2012 the first drawdown was made for a total amount of USD 8.2 million. On May 3, 2012 a second drawdown was made for a total amount of USD 3.2 million.

IRSA's 8.5% Series I Notes due 2017

On February 2, 2007, IRSA issued 2017 fixed-rate notes for a total amount of USD 150.0 million, which accrue interest at an annual interest rate of 8.5% payable semi-annually and which mature in a single installment on February 2, 2017.

These notes also contain a covenant limiting IRSA's ability to pay dividends which may not exceed the sum of:

- 50% of the cumulative consolidated net income; or
- 75% of the cumulative consolidated net income if the consolidated interest coverage ratio for the most recent four consecutive fiscal quarters is at least 3.0 to 1; or
- 100% of the cumulative consolidated net income if the consolidated interest coverage ratio for the most recent four consecutive fiscal quarters is at least 4.0 to 1; plus
- 100% of the aggregate net cash proceeds (with certain exceptions) and the fair market value of property other than cash received by the Company or by its restricted subsidiaries from (a) any contribution to the Company's capital stock or the capital stock of its restricted subsidiaries or issuance and sale of the Company's qualified capital stock or the

qualified capital stock of its restricted subsidiaries subsequent to the issue of the Company's notes due 2017, or (b) issuance and sale subsequent to the issuance of the Company's notes due 2017 or its indebtedness or the indebtedness of its restricted subsidiaries that has been converted into or exchanged for qualified capital stock of the Company, (c) any kind of reduction in the Company's indebtedness or the indebtedness of any of its restricted subsidiaries; or (d) any kind of reduction in investments in debt certificates (other than permitted investments) and in the return on assets; or (e) any distribution received from an unrestricted subsidiary.

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IRSA's 11.5% Series II Notes due 2020

On July 20, 2010, IRSA issued fixed-rate notes due in 2020 for a total amount of USD 150.0 million, which accrue interest at an annual interest rate of 11.5% payable semi-annually and which mature in a single installment on July 20, 2020.

This Series of Notes is subject to the same covenants as those described for IRSA's Series I Notes due 2017.

IRSA's New Global Note Program and Issuance of Series III and Series IV Notes

Under its USD 300,000,000 Global Note Program approved by its Shareholders' Meeting dated October 31, 2011, on February 10, 2012, IRSA placed by means of a public offering Notes for an aggregate amount of ARS 300 million, issued in two series: Series III and IV.

Series III Notes, for a principal amount of ARS 153.2 million, accrue interest at BADLAR rate plus 249 basis points, and mature 18 months after their issue date. They are repayable in three consecutive payments due within 12, 15 and 18 months after their issue date.

Series IV Notes, for a principal amount of USD 33.8 million (equivalent to ARS 146.9 million), accrue interest at a fixed rate of 7.45%, are subscribed and repayable in Pesos at the applicable exchange rate, and mature 24 months after the issue date. They are repayable in 4 equal consecutive payments due within 15, 18, 21 and 24 months after their issue date.

Alto Palermo 10% Convertible Notes due 2014

On July 19, 2002, Alto Palermo issued USD 50.0 million in unsecured Convertible Notes in exchange for cash and the settlement of certain liabilities owed to its shareholders. The proceeds received by Alto Palermo were used to repay short term bank loans for ARS 27.3 million and to redeem secured notes issued by Alto Palermo for ARS 52.8 million. The convertible notes accrue interest (payable semi-annually) at a 10.0% fixed interest rate per annum and are convertible at any time at the holder's option into shares of common stock of ARS 0.10 par value each. The conversion rate per U.S. dollar is the lower between (i) ARS 3.08642 and (ii) the result from dividing the exchange rate prevailing on the conversion date by Alto Palermo's common shares' par value. The convertible notes' original maturity date was July 19, 2006, but the noteholders' meeting held on May 2, 2006 extended the initial maturity date to July 19, 2014. The rest of the terms and conditions remained unaltered. During fiscal years 2012, 2011, 2007, 2006, 2005, 2004 and 2003, holders of USD 18.3 million convertible notes of Alto Palermo exercised their conversion rights. Consequently, Alto Palermo issued 277,777; 477,544,197; 101,582; 52,741,373; 22,852,514; and 4,829,745 common shares, respectively. If all the holders of Convertible Notes exercised their conversion rights, Alto Palermo's total amount of outstanding shares would increase from 1,259.9 million to 2,239.7 million.

As of June 30, 2012, our subsidiary IRSA held USD 31.7 million of Alto Palermo's convertible notes.

APSA has expressed its intention to repurchase such Convertible Notes for an amount of USD 36.1 million, as approved by its Shareholders' Meeting held on May 26, 2011. On May 26, 2011, IRSA's Shareholders' Meeting approved, contingent upon the consummation of the Global Offer of New Shares of APSA resolved upon at the Ordinary and Extraordinary Shareholders' Meeting dated May 26, 2011 and the Board Meeting dated June 24, 2011 of such company, the sale of the referred Convertible Notes. The price offered for the repurchase of the Convertible Notes was approved by IRSA's Shareholders' Meeting dated May 26, 2011. APSA's Audit Committee determined that

the terms of its proposed repurchase of Convertible Notes are reasonable, and it obtained favorable opinions by third parties in connection with the offered repurchase price. As of the closing of these financial statements, this transaction had not been consummated yet.

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Alto Palermo's Series I and Series II Notes

On May 11, 2007, Alto Palermo issued two new series of notes under its global program. Series I consists of notes for a principal amount of USD 120 million, which accrue interest at a fixed rate of 7.875% per annum, payable semi-annually, and with maturity on May 11, 2017. Series II consists of notes for a principal amount of ARS 154 million (equivalent to USD 50 million), which accrue interest at 11% per annum, payable semi-annually, and repayable in seven semi-annual installments commencing on June 11, 2009. As of the closing of this fiscal year, Series II had been fully repaid.

Acquisition of Alto Palermo's Series I Notes

During fiscal year 2009, we purchased USD 39.6 million in principal amount of Alto Palermo's Series I Notes, for a total amount of USD 19.3 million.

In turn, in the course of fiscal 2009, our subsidiary Alto Palermo repurchased USD 5.0 million in principal amount of its Series I notes. The weighted average price paid was USD 0.3978 for a total of USD 1.9 million.

In fiscal year 2011, we sold USD 39.6 million in principal amount of such notes for an average price of USD 0.9605, totaling USD 38.08 million. In addition, APSA has repurchased USD 5.0 million in principal amount of its Series I notes. The weighted average price paid was USD 1.0201 for a total amount of USD 5.1 million.

Therefore, as of June 30, 2012, our consolidated holdings of Alto Palermo's Series I notes amounted to USD 10.0 million¹ in principal amount.

Acquisition of Alto Palermo's Series II

During fiscal year 2009, we bought USD 15.1 million in principal amount of Alto Palermo's Series II Notes, for a total of USD 8.2 million, representing a weighted average price of USD 0.5513. In turn, in the course of fiscal 2009, our subsidiary Alto Palermo purchased USD 3.0 million in principal amount of its Series II notes, for a total of USD 2.3 million, representing a weighted average price of USD 0.75.

Alto Palermo's Series II notes matured during this fiscal year.

Debt restructuring for the Acquisition of Edificio República

On April 28, 2008 our subsidiary IRSA executed a loan agreement secured by a mortgage with Banco Macro S.A. pursuant to which Banco Macro S.A. lent it USD 33.6 million which it applied to the repayment of the debt balance owed to Fideicomiso República, which had been incurred with respect to the acquisition of Edificio República. The principal shall be repaid in five annual, equal and consecutive installments maturing on April 28 each year and accruing interest at an annual nominal rate of 12% payable semi-annually on April and October 28, each year. Banco Macro's loan is secured by a mortgage on the property known as "Edificio República". In May 2012, IRSA partially prepaid the fifth installment under this loan; therefore, the outstanding principal balance is approximately USD 200,000.

¹ All of which is held by APSA.

Hoteles Argentinos' Loan

On March 15, 2010 we entered into a loan agreement with Standard Bank Argentina S.A., whereby it lent to Hoteles Argentinos the sum of ARS 19.0 million, which were used to repay the loan with Credit Suisse First Boston International. In addition, on March 15, 2010, the mortgage and swap agreement entered into with Credit Suisse First Boston International were cancelled. The new loan with Standard Bank Argentina S.A. was repayable in a single payment that fell due on the first anniversary of the agreement's execution date, and accrued interest at a fixed rate of 16.25% payable every three months in arrears. On March 15, 2011, this loan was replaced with three loans granted by Standard Bank Argentina S.A.: a peso loan for ARS 15.8 million, due on March 14, 2012, accruing interest at a rate of 16.75%, and two dollar facilities of USD 0.4 million each, the first of which matured on September 12, 2012 and accrued interest at a rate of 3.70%, and the second one fell due on March 14, 2012 and accrued interest at a rate of 3.90%. These loans were repaid using short-term facilities.

Off balance sheet arrangements

At present we have no off-balance sheet arrangements or significant transactions with unconsolidated entities that are not reflected in our consolidated financial statements. All our interests and/or relationships with our subsidiaries or companies under common control are recorded in our consolidated financial statements.

Subsequent Events

These events occurred after June 30, 2012, the fiscal year's closing date:

Purchase of IRSA's Shares

During the month of July 2012, the Company purchased 175,000 American Depositary Receipts ("ADRs") of IRSA, for a total price of USD 1.2 million. In this way, its equity interest increased to 64.50%.

Banco de la Pampa Financial Loan

On August 3, 2012 the Company took a loan from Banco de la Pampa for ARS 20 million.

The loan proceeds must be exclusively invested in Cresud's controlled company EAASA in order to maintain in effect the Company's investment project in Carnes Pampeanas meat packing plant.

The principal amount accrues compensatory interest at an annual nominal rate equivalent to the simple arithmetic average of the Encuesta interest rate for 30 to 59 day term deposits as published from the 24th day or the immediately preceding business day of the calendar month prior to that for which interest is applicable until and including the 25th day or the immediately subsequent day of the second calendar month prior to that for which such rate is applicable, plus a spread of 6 percentage points. The Government of the Province of La Pampa will waive the collection of interest for an amount of up to 8 percentage points. Cresud shall in no case pay interest at annual nominal rate that is lower than 10.5% or higher than 14.5%. Interest is payable semi-annually and no grace period is granted. Therefore, the first interest payment falls due on February 3, 2013. The principal amount is repayable in 6 equal, consecutive, semi-annual installments and a grace period of 30 months is granted. Consequently, the first principal payment falls due on February 3, 2015. The loan term is 60 months counted as from the drawdown date.

Fifth Issue of Notes. Series X Tranche II.

On September 7, 2012, under our USD 300 million Global Note Program we started the disclosure period in respect of the second tranche of 7.75% Fixed Rate Series X Notes due on June 23, 2014. On September 13 and 14 the Public Auction will be carried out, where the issue price will be tendered, and on September 19 the notes will be issued and settled. The transaction amount announced is a principal of USD 10 million, which may be increased to USD 30 million based on the market demand, payable in pesos at the Applicable Rate of Exchange, as defined in the relevant Pricing Supplement. Interest is payable on a quarterly basis and the principal amount is repayable within 18, 21 and 24 months counted as from June 21, 2012, coinciding with the dates of Series X Notes.

It should be noted that the Series X Notes issued under the new Tranche 2 will be fully interchangeable with the Series X Notes issued on June 21, 2012, accruing interest at a fixed rate of 7.75%.

Sale of Units in Edificio Rulero – Libertador 498

On August 31, 2012, IRSA executed the deed of conveyance for the sale of functional unit No. 358 on the 9th floor, and functional units (parking spaces) 238, 242, 249, 251, 254, 257 in the second basement, and 045, 039, 107 and 117 in the third basement, of the building located at Av. Libertador 498. The transaction price was ARS 15 million, collected on August 8, 2012, the date of execution of the preliminary sales agreement.

Increase in interest in Madison Ave. Building

On August 31, 2012, IRSA International LLC promised to purchase Rigby Madison LLC's entire interest in the company Rigby 183 LLC, equivalent to 33.36%. This transfer includes all rights, title and interest held by such company. The agreed price is USD 32.5 million, payable as follows:

- (i) USD 5.0 million will be deposited in an escrow account within two business days following the execution of the deed of covenant; and
- (ii) the balance will be transferred upon execution of the final agreement, scheduled for October 23, 2012.

Sale of Shares in Hersha

On September 4, 2012, the Company, directly and through its subsidiaries, sold 2,000,000 common shares in Hersha for USD 9.7 million.

Management's Discussion and Analysis of Financial Condition and Results of Operations

Consolidated Operating Results

The following management's discussion and analysis of our results of operations should be read together with our consolidated financial statements and related notes. This discussion and analysis contains forward-looking statements that involve risks, uncertainties and assumptions. These forward-looking statements include such words as "expect", "anticipate", "intend", "believe" and similar language. Our actual results may differ materially from those anticipated in these forward-looking statements as a result of many factors, including without limitation those set forth elsewhere in the Annual Report and Financial Statements.

For purposes of the following discussion and analysis, unless otherwise specified, references to fiscal years 2012 and 2011 relate to the fiscal years ended June 30, 2012 and 2011, respectively.

We maintain our accounting books and records in Pesos. Except as set forth in the following paragraph, we prepare our consolidated financial statements in conformity with Argentine GAAP and the regulations of the Comisión Nacional de Valores.

In order to comply with Comisión Nacional de Valores regulations, we discontinued inflation accounting as of March 1, 2003, and we recognize deferred income tax assets and liabilities on a non-discounted basis. These accounting practices represent departures from Argentine GAAP. However, we believe that such departures have not had a material effect on our financial statements.

Factors affecting Comparability

Purchase and Sale of Farms

Our strategy includes the identification, acquisition, exploitation and selective disposition of rural properties that have attractive prospects for long-term value appreciation. As part of this strategy, from time to time we purchase and sell farms. The acquisition or disposition of farms in any given period may make the production results of that period difficult to compare to those of other periods.

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.

Revenue Recognition

We derive our revenues primarily from:

- (i) the production and sale of crops, beef cattle and milk,
- (ii) cattle feedlot operations,
- (iii) leasing of our farms from third parties; and
- (iv) commodity brokerage activities.
- (v) Through the consolidation of our financial statements with IRSA's, we record revenue from the rental and operation of services at offices and shopping centers in Argentina, the development and sale of properties, consumer finance transactions, and hotel operations.

This section reflects our policies for revenue recognition as well as those of our controlled and under common control subsidiaries.

Agriculture and cattle raising business

Production

We recognize production income when there is a change in biological assets. For example, we recognize production income when crops are harvested or a cow is born or gains a certain amount of weight. Biological assets are unharvested crops, heads of cattle and dairy cows. Agricultural produce such as harvested crops, beef and milk are the harvested product of biological assets.

Sales

We recognize revenue on sales of crops, beef cattle and milk when persuasive evidence of an arrangement exists, delivery has occurred, the price is fixed or determinable and collectibility is reasonably assured.

From time to time we sell properties which we consider not essential to our core operations in order to profit from real estate appreciation opportunities. We record farmland sales under the applicable accounting standards and do not recognize such sales until:

- (i) the sale is consummated (a sale is not considered consummated until:
 - (a) the parties are bound by the terms of a contract,
 - (b) all contract terms and conditions have been considered,
 - (c) any financing for which the seller is responsible has been arranged, and
 - (d) all conditions precedent to closing have been performed);
- (ii) we determine that the buyer's initial and continuing investments in the property being sold are adequate to demonstrate its commitment to pay for the property (the adequacy is measured by its financial capacity and size compared with the sale value of the property);
- (iii) the corresponding receivable is not subject to future subordination (our receivable will not be placed in or occupy a lower rank, class or position with respect to other obligations of the buyer) and

(iv) we have transferred to the buyer the usual risks and rewards of ownership and have no continuing substantial involvement in the property.

Real estate business

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We record revenue from the rental and operation of services at offices and shopping centers in Argentina, the development and sale of properties, consumer finance transactions, and hotel operations. This section reflects our policies for revenue recognition as well as those of our controlled and under common control subsidiaries.

Sales and developments

We record revenue from the sale of property when all of the following criteria are met:

- (a) the sale has been carried out (a sale is not deemed to be carried out until
 - (i) the parties are bound by the terms of a contract,
 - (ii) all considerations have been exchanged,
 - (iii) any permanent financing under the seller's responsibility has been agreed, and
 - (iv) all conditions precedent have been complied with);
- (b) we determine that the initial and continuing investment of the purchaser is appropriate to evidence a commitment to pay for the property (the appropriateness of the purchaser's initial investment is measured by (i) its composition and (ii) its size compared to the sales price of the property);
- (c) our receivable is not subject to any future condition (our receivable will not be placed or occupy any rank, category or position lower than the other obligations of the purchaser); and
- (d) we have transferred to the purchaser all the risks and benefits of ownership, and do not have a continuing participation in the property.

Generally, we enter into sale agreements with the purchasers of units for residential development before construction commences. According to this practice, we commence our marketing and sales efforts in accordance with the architectural designs already agreed and the model units. As a general rule, the purchasers pay a unit reservation fee and subsequently enter into sale agreements at a fixed price. The balance of the purchase price is payable upon delivery of the fully constructed unit.

The construction of these properties for residential development is carried out based on "turnkey" contracts with leading construction companies in Argentina and South America, which undertake to complete construction within a given period and budget, subject to routine exceptions.

We apply the percentage of completion method in respect of the sales of property developments under construction under fixed price contracts. Pursuant to this method, revenue is recognized based on the relationship between costs incurred and total estimated costs applied to the total price of the contract. We do not recognize revenue and costs until a decision is made to continue with the project and construction begins.

The percentage of completion accounting method requires management to prepare a cost budget (e.g. estimated completion costs) in relation to the sales of properties and/or units. Any changes to estimated completion costs are incorporated to the review of estimates during the contract term.

According to this accounting method, revenue from completed work may be recognized in the income statement for the period prior to that in which the actual cash proceeds from the sale are received. In this situation, a deferred asset

is recorded. Alternatively, and as the most usual practice, whenever the purchasers of a property and/or unit make an initial payment in advance and pay monthly installments in cash before the commencement of construction, a liability is recorded as an advance from customers in the financial statements.

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Rentals and services at office buildings and others

Rentals from lessees are accounted for as operating leases. Lessees pay a basic monthly rental. Revenue from rentals is recognized based on the straight-line method during the term of the lease.

Rentals and services at shopping centers

Rentals from lessees are accounted for as operating income. Generally, lessees pay a rental consisting in the higher value between

(i) a basic monthly rental (the "Basic Rental"), and

(ii) a specific percentage of monthly gross retail sales of the lessee (the "Percentage Rental") (which generally ranges from 4% to 10% of gross sales of the lessee).

In addition, pursuant to the rental indexation clause in most leases, the lessee's Basic Rental is generally increased between 7% and 12% per year during the term of the lease. Certain lease agreements include provisions that set forth rentals based on a percentage of sales or based on a percentage of turnover exceeding a specified minimum. We determine compliance with specific goals and calculate the additional rental on a monthly basis as contemplated in the leases. Therefore, we do not recognize contingent rentals until the required minimum is exceeded.

The term of our leases ranges between 36 and 120 months. Law No. 24,808 sets forth that lessees may terminate commercial leases after an initial period of six months by giving at least 60 days prior written notice, subject to a penalty of one month to one month and a half of rental if the lessee terminates the lease during the first year of the lease and one month of rental if the lessee terminated the lease after the first year.

We also charge our lessees a monthly management fee, which is prorated among the lessees in accordance with their lease prices and varies from one shopping center to the other, in relation to the common area administration and maintenance and the administration of contributions made by lessees to finance the promotion efforts of all the operations of shopping centers. Management fees are recognized on a monthly basis as accrued. In addition to rental, we generally charge an "admission fee" to lessees, i.e. a non-reimbursable admission fee that may be required from lessees upon execution and renewal of the lease. This admission fee is usually paid as a lump sum or in a small number of monthly installments. Admission fees are recognized using the straight-line method during the effective term of the respective leases. Additionally, leases in general provide for the reimbursement of the real estate tax, insurance, advertising costs and certain common area maintenance costs. These additional rentals and reimbursements to lessees are accounted for on an accrual basis.

We also derive revenue from visitor parking charges, and recognize parking revenue as services rendered.

Consumer finance transactions

We derive revenue from consumer finance transactions with credit cards which consist mainly in:

(i) commissions for discounts to storekeepers, that are recognized when the information on the transaction is received and processed by us,

(ii) data processing services consisting in the processing and printing of the statements of account of credit cardholders, that are recognized as services rendered,

(iii) life insurance and disability expenses charged to credit cardholders, that are recognized on an accrual basis, and

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(iv) interest income from financing and loan activities.

Hotels

We recognize income from room services, catering services and restaurant facilities, as accrued at the closing of operations on each business day.

Segment Information

We are required to disclose segment information in accordance with Technical Resolution (“RT”) No. 18. RT No. 18 establishes standards for reporting information about operating segments in annual financial statements and requires reporting of selected information about operating segments in interim financial reports issued to shareholders. Operating segments are components of a company about which separate financial information is available that is regularly evaluated by the chief operating decision makers in deciding how to allocate resources and assess performance. The statement also establishes standards for related disclosures about a company’s products and services, geographical areas and major customers.

Agriculture and cattle raising business

We are primarily engaged in agricultural operations which are subject to risk, including market prices, weather conditions and environmental concerns. From time to time, we sell properties to profit from real estate appreciation opportunities and which, in the judgment of management, are surplus to the Company’s primary operations.

During the fiscal years ended June 30, 2012 and 2011, our principal operations were carried out in Argentina, our country of domicile. In September 2005, we formed BrasilAgro to replicate our business strategy in Brazil. As from fiscal year 2009, within the context of a number of transactions that represent us a new expansion of the agriculture and cattle raising business in South America as designed in its business plan, the Company commenced operations in the Republic of Bolivia, Republic of Paraguay and Republic of Uruguay.

Moreover, during fiscal year 2011 the Company increased its interest in BrasilAgro Companhia Brasileira de Propriedades Agricolas (“BrasilAgro”) to 35.75%. In this regard, pursuant to Technical Resolution No. 21 of the FACPCE, as from June 30, 2011 Cresud presents its financial statements in consolidated form with BrasilAgro’s and therefore, unlike the results for the previous fiscal year, the consolidated results for this fiscal year include those of BrasilAgro.

We conduct business in six business segments, organized primarily on a product line and geographical area basis, with each segment offering a variety of different but interrelated products:

Crops

This segment includes the planting and harvesting and sale of fine and coarse grains and oilseeds, including wheat, corn, soybean, sunflower and sugarcane (both domestic and international markets).

Beef cattle

This segment consists of

(i) the raising and fattening of beef cattle from our owned cattle stock; and

(ii) the purchase and fattening of beef cattle, for sale to meat processors.

Milk

This segment consists of the production of milk for sale to dairy companies.

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Other

This segment consists of services and leasing of our farms to third parties, and commodity brokerage activities.

Sales of farms

This segment includes the results from the sale of farms.

We evaluate the performance of our business segments based on the "segment operating income (loss)" which represents gross profit less selling and administrative expenses plus gains (losses) from inventory holding.

Feedlot / meat packing business

This segment's main business is the production of meat under the so-called "feedlot fattening" method and slaughtering through our subsidiary Cactus Argentina S.A.

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

In December 2010, Cresud increased its interest in Cactus Argentina S.A. from 48% to 80%. Therefore, Cresud's consolidated results for the period started on July 1, 2010 and ended on June 30, 2011 include the results of Cactus Argentina S.A. only for the period from January 1 to June 30, 2011. Cactus' results are consolidated with those of Exportaciones Agroindustriales Argentinas S.A.

Real estate business

We have determined that the reportable business units are those based on management information generated by the company. Consequently, we have six reportable business units. These units are: "shopping centers", "consumer finance", "sales and developments", "offices and other", "hotels" and "financial and other transactions".

Below is a general description of each segment:

Shopping centers

This segment includes the operating results from shopping centers, primarily composed of rental income and services received from lessees.

Consumer finance

We operate a consumer finance business based on credit card through Tarshop, the controlled subsidiary of our subsidiary APSA. Consumer finance transactions mainly consist of loans and services related to the credit card products we offer to consumers in shopping centers, hypermarkets and stores. We finance a substantial part of consumer finance activities through the securitization of credits underlying the originating accounts. Revenue from consumer finance transactions comes from interest earned from finance and loan activities, storekeeper commissions, life insurance and disability expenses and data processing fees, consisting in the processing and printing of the

statement of account of the cardholder.

Sales and developments

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This segment includes the operating results from the construction and/or sale of residential buildings.

Offices and other

This segment includes the operating results from rentals and services of offices and other buildings.

Hotels

This segment includes the operating results of hotels, which are primarily composed of revenue from rooms, catering services and restaurant.

Financial and other transactions

This segment basically includes revenue and costs associated with the sale of shares, other transactions related to securities and other secondary activities.

We measure reportable business units based on net income/(loss). Transactions between business units, if any, are accounted for at current market prices. We evaluate the performance of business units and allocate resources based on operating results. In most activities this does not depend on a single customer.

Results of Operations of the Agriculture and Cattle Raising Business

Effective July 1, 2006, we adopted Technical Resolution (RT) No. 22, which prescribes the accounting treatment, financial statement presentation, and disclosures related to agricultural activity. Agricultural activity is the management by an entity of the biological transformation of living animals or plants (biological assets) for sale, into agricultural produce or into additional biological assets. RT No. 22 prescribes, among other things, the accounting treatment for biological assets during the period of growth, degeneration, production and procreation, and for the initial measurement of agricultural produce at the point of harvest. It requires measurement at fair value less estimated point-of-sale costs from initial recognition of biological assets up to the point of harvest, other than when fair value cannot be measured reliably on initial recognition. RT No. 22 requires that a change in fair value less estimated point-of-sale costs of a biological asset be included in profit or loss for the period in which it arises. In agricultural activity, a change in physical attributes of a living animal or plant directly enhances or diminishes economic benefits to the entity. RT No. 22 is applied to agricultural produce which is the harvested product of the entity's biological assets, only at the point of harvest. Accordingly, RT No. 22 does not deal with the processing of agricultural produce after harvest; for example, the processing of milk into cheese.

Biological transformation comprises the processes of growth, degeneration, production and procreation that cause qualitative or quantitative changes in a biological asset. Biological assets are living unharvested crops, heads of cattle and dairy cows. Agricultural produce such as harvested crops, beef, milk and raw materials are the harvested product of biological assets. Biological transformation results in the following types of outcomes: asset changes through (i) growth (an increase in quantity or improvement in quality of an animal or plant), (ii) degeneration (a decrease in the quantity or deterioration in quality of an animal or plant), or (iii) procreation (creation of additional living animals or plants).

The adoption of RT No. 22 did not have a material impact on our measurement and recognition of biological transformation. Rather, it changed the format of our income statement. Under RT No. 22 we break down the components of our costs as separate line items in the income statement. The adoption of RT No. 22 did not change our gross profit for any of the periods presented.

Prior to the adoption of RT No. 22, gains or losses from initial recognition of biological assets and agricultural produce as well as changes in biological assets were included as a deduction from cost of sales. Under RT No. 22 these changes are disclosed separately in the income statement under the line item titled "Production income".

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Also, prior to the adoption of RT No. 22, costs directly related to the transformation of biological assets and agricultural produce were also included as an addition to cost of sales. Under RT No. 22, these costs are disclosed separately in the income statement under the line item titled "Cost of production" due to the direct relationship to the transformation of biological assets and agricultural produce.

The adoption of RT No. 22 did not affect our recognition of revenue which is included in the line item titled "Sales" in our income statement. See Note 2.q to our financial statements. As a result of the adoption of RT No. 22, our costs of sales show direct costs related to the sales of agricultural produce other than selling expenses. RT No. 22 intends to purport that costs of sales are not significant in agricultural activities while costs of biological transformation into agricultural produce represent the major costs of these activities.

In addition, under RT No. 22, the exhibits entitled "Cost of Sales" and "Cost of Production" included in our consolidated financial statements present a reconciliation of changes in the carrying amount of biological assets between the beginning and the end of the relevant periods. This reconciliation includes

- (a) the gain or loss arising from changes in fair value less estimated sale costs;
- (b) increases due to purchases;
- (c) decreases attributable to sales and biological assets classified as held for sale;
- (d) decreases due to harvest;
- (e) increases resulting from business combinations, if any;
- (f) other changes.

The following terms used herein have the meanings specified below:

Production Income

We recognize production income when there is a change in biological assets. For example, we recognize production income when crops are harvested or a cow is born or gains a certain amount of weight. Biological assets are unharvested crops, heads of cattle and dairy cows. Agricultural produce such as harvested crops, beef and milk are the harvested product of biological assets.

Cost of Production

Our cost of production consists of costs directly related to the transformation of biological assets and agricultural produce.

Sales

Our sales consist of revenue on the sales of crops, milk and cattle beef. Sales are recognized when persuasive evidence of an arrangement exists, delivery has occurred, the price is fixed or determinable and collectibility is reasonably assured. Revenue from cattle feeding operations, primarily comprised of feeding, animal health and yardage, and revenue from operating leases and brokerage activities are recognized as services are performed.

Cost of Sales

Our cost of sales consists of: (i) the book value of the product sold at the time of sale and (ii) certain direct costs related to the sales of agricultural produce other than selling expenses.

Gain (loss) from inventory holding

Our gain (loss) from inventory holding consists of changes in the carrying amount of biological assets between the beginning and the results of operations in the futures and options exchange market (Mercado a Término).

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Management's Discussion of Results

Fiscal year ended June 30, 2012 compared to fiscal year ended June 30, 2011

Production income

Production income was ARS 700.4 million for fiscal year 2012, 72.3% higher than the amount recorded for the previous fiscal year. This was primarily attributable to an ARS 268.4 million increase in our Crops segment (including ARS 292.8 million from BrasilAgro) and an ARS 25.7 million increase in our Beef cattle segment.

Crops – Domestic market

Production income from our Crops segment in the local market decreased 9.1%, from ARS 259.2 million for fiscal year 2011 to ARS 235.6 million in fiscal year 2012, primarily as a result of:

- a 5.6% decrease in total production volumes, from 408,404 tons in fiscal year 2011 to 385,739 tons in fiscal year 2012, mainly due to a decrease in volumes of soybean (30.4%) and sorghum (35.61%) harvested, partially offset by an increase in volumes of sunflower (4.42%) and corn (1.03%) harvested from year to year; and
- a 3.8% decrease in average prices of grain production.

The 5.6% decrease in the production volume from our Crops segment in the local market was mainly due to a 6.7% decrease in our average yield, from 4.53 tons per hectare in fiscal year 2011 to 4.23 tons per hectare in fiscal year 2012, mainly due to the mix of grain harvested and unfavorable weather conditions. In addition, during fiscal year 2012 the surface area in operation increased from 90,150 hectares (including 10,401 hectares under concession) as of June 30, 2011 to 91,269 hectares (including 8,778 hectares under concession) as of June 30, 2012.

As of June 30, 2012, the harvested area was 83.3% of our total sown area, compared to 81.4% as of June 30, 2011.

The following table shows the board prices(1) as of June 30, 2012 and 2011:

	Fiscal year ended June 30,	
	2012 ARS	2011 ARS
Wheat	740	770
Sunflower	1,600	1,300
Corn	690	670
Soybean	1,645	1,272

(1) Rosario Commodities Exchange board prices

Crops – International market

Production income from our Crops segment in the international market increased 420.7%, from ARS 69.4 million in fiscal year 2011 to ARS 361.5 million in fiscal year 2012, mainly as a result of:

- a 1,261.4% increase in total production volume from 58,506 tons in fiscal year 2011 to 796,510 tons in fiscal year 2012, mainly due to an increase in volumes of soybean (237.6%), corn (440.8%), sorghum (56.4%), sunflower (50.3%) and sugarcane (100%) harvested (in the last case, mainly because of the effect of BrasilAgro's consolidation effective July 1, 2011);
- slightly offset by a 32.3% year-on-year decrease in volumes of wheat harvested; and
- a 61.7% decrease in the average price of grain production.

The 1,261.4% increase in production volume of our Crops segment in the international market resulted mainly from a larger surface area under operation, from 30,978 hectares in fiscal year 2011 to 109,602 hectares in fiscal year 2012 (63,410 hectares from BrasilAgro), and a 284.8% increase in our average yield from 1.89 tons per hectare in fiscal year 2011 to 7.27 tons per hectare in fiscal year 2012.

As of June 30, 2012, the harvested area was 82.0% of the total sown area, compared to 79.6% as of June 30, 2011.

Beef cattle

Production income from the Beef cattle segment increased 55.3%, from ARS 46.6 million in fiscal year 2011 to ARS 72.3 million in fiscal year 2012, primarily as a result of: