CRESUD INC
Form 20-F/A
December 30, 2008

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 20-F/A

Amendment No. 1

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

OR

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

For the fiscal year ended: June 30, 2008

OR

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

OR

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

Date of event requiring this shell company report _______

For the transition period from _______________________ to _________________________

Commission file number: 0-29190

CRESUD SOCIEDAD ANONIMA COMERCIAL INMOBILIARIA FINANCIERA Y AGROPECUARIA

(Exact name of Registrant as specified in its charter)

CRESUD INC.

(Translation of Registrant s name into English)

Republic of Argentina

(Jurisdiction of incorporation or organization)

Moreno 877, 23 Floor,

(C1091AAQ) Buenos Aires, Argentina

(Address of principal executive offices)

Gabriel Blasi

Chief Financial Officer

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

Moreno 877 22nd Floor

(C1091AAQ) Buenos Aires, Argentina

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

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

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

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

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

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

The number of outstanding shares of Common Stock of Cresud Sociedad Anónima Comercial, Inmobiliaria, Financiera y Agropecuaria as of June 30, 2008 was:

Shares of Common Stock	501,531,865

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

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

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

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

Large accelerated filer ¨ Accelerated filer x Non-accelerated filer ¨

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

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

If Other has been checked in response to the previous question, indicate by check mark which financial statement item the registrant has elected to follow. ¨ Item 17 x Item 18

If this is an annual report, indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). ¨ Yes x No

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EXPLANATORY NOTE

This Amendment No. 1 to the annual report on Form 20-F of Cresud Sociedad Anónima Comercial, Inmobiliaria, Financiera y Agropecuaria that was originally filed on December 30, 2008 (the 2008 Form 20-F), is being filed solely for the purpose of including (i) consolidated financial statements of IRSA, as of June 30, 2008 and 2007 and for the years ended June 30, 2008, 2007 and 2006, (ii) consolidated financial statements of Banco Hipotecario S.A. as of June 30, 2008 and 2007 and for the twelve months ended June 30, 2008, 2007 and 2006, and (iii) amended Presentation of financial and certain other information by adding the paragraph set forth below to reflect the inclusion of the financial statements referred to in (ii) above. For the convenience of the reader, the entire amended Form 20-F is re-filed herewith.

Also contained in this annual report are the consolidated financial statements of Banco Hipotecario S.A. (Banco Hipotecario) as of June 30, 2008 and 2007 and for the twelve months ended June 30, 2008, 2007 and 2006, which also have been audited by Price Waterhouse & Co. S.R.L., Buenos Aires, Argentina, a member firm of PricewaterhouseCoopers, an independent registered public accounting firm, whose report is included herein.

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DISCLOSURE REGARDING FORWARD-LOOKING INFORMATION

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

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

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

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

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

CERTAIN MEASURES AND TERMS

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

References to Tons , tons or Tns. are to metric tons, to kgs are to kilograms, to ltrs are to liters and Hct are to hectares. A metric ton is equ 1,000 kilograms. A kilogram is equal to approximately 2.2 pounds. A metric ton of wheat is equal to approximately 36.74 bushels. A metric ton of corn is equal to approximately 39.37 bushels. A metric ton of soybean is equal to approximately 36.74 bushels. One gallon is equal to 3.7854 liter. One hectare is equal to approximately 2.47 acres. One kilogram of live weight beef cattle is equal to approximately 0.5 to 0.6 kilogram of carcass (meat and bones).

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PRESENTATION OF FINANCIAL AND CERTAIN OTHER INFORMATION

In this annual report where we refer to Peso , Pesos , or Ps. we mean Argentine pesos, the lawful currency in Argentina; when we refer to U.S. dollars , or US$ we mean United States dollars, the lawful currency of the United States of America; and when we refer to Central Bank we mean the Argentine Central Bank.

This Annual Report contains our audited consolidated financial statements as of June 30, 2008 and 2007 and for the years ended June 30, 2008, 2007 and 2006 (our Consolidated Financial Statements). Our Consolidated Financial Statements have been audited by Price Waterhouse & Co. S.R.L. Buenos Aires Argentina, a member firm of PricewaterhouseCoopers, an independent registered public accounting firm, whose report is included herein. We prepare our Consolidated Financial Statements in Pesos and in conformity with generally accepted accounting principles used in Argentina, as set forth by the *Federación Argentina de Consejos Profesionales de Ciencias Económicas* (FACPCE) and as implemented, adapted, amended, revised and/or supplemented by the *Consejo Profesional de Ciencias Económicas de la Ciudad Autónoma de Buenos Aires* (CPCECABA) (collectively Argentine GAAP). In addition, we must comply with the regulations of the *Comisión Nacional de Valores* (CNV), the National Securities Commission in Argentina, which differ in certain significant respects from generally accepted accounting principles in the United States of America (US GAAP). Such differences involve methods of measuring the amounts shown in the Consolidated Financial Statements as well as additional disclosures required by US GAAP and Regulation S-X of the Securities and Exchange Commission (SEC). See Note 20 to our Consolidated Financial Statements for a description of the principal differences between Argentine GAAP and U.S. GAAP, as they relate to us, and a reconciliation to U.S. GAAP of net income and shareholders equity.

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

In addition, in accordance with the CNV regulations, we recognized deferred income taxes on an undiscounted basis. This accounting practice represented a departure from Argentine GAAP but did not have a material effect on the consolidated financial statements for the year ended June 30, 2006. However, as further discussed below, the CPCECABA issued revised accounting standards. One of these standards required companies to account for deferred income taxes on an undiscounted basis, thus aligning the accounting to that of the CNV. Since the CNV adopted the CPCECABA standards effective for the Company for the year ended June 30, 2007, there was no longer a difference on this subject between Argentine GAAP and the CNV regulations.

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

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Biological transformation comprises the processes of growth, degeneration, production, and procreation that cause qualitative or quantitative changes in a biological asset. Harvest is the detachment of produce from a biological asset or the cessation of a biological asset s life processes. 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 significant impact in our measurement and recognition of biological transformation. Rather, it changed the format of our income statement. Under RT No. 22 we disclose certain components of our costs as separate line items in the income statement. There was no change in our gross profit for any of the periods presented.

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

Also, prior to the adoption of RT No. 22, costs directly related to the transformation of biological assets and agricultural produce were also included as an addition to costs of sales. Under RT No. 22, these costs are disclosed separately in the income statement under the line item titled Cost of production in our income statement 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 3 a) for our revenue recognition policies. As a result of the adoption of RT No. 22, our costs of sales only show certain 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, Exhibits Cost of Sales and Cost of production included in Note 18 e) and f) to our income statement present a reconciliation of changes in the carrying amount of biological assets between the beginning and the end of the current period. This reconciliation includes (a) the gain or loss arising from changes in fair value less estimated point-of-sale costs; (b) increases due to purchases; (c) decreases attributable to sales and biological assets classified as held for sale; (d) decreases due to harvest; (e) increases resulting from business combinations, if any; (f) other changes.

The CNV issued General Resolutions 485 and 487 on December 29, 2005 and January 26, 2006, respectively which adopted, with certain modifications, the new accounting standards previously issued by the CPCECABA through its Resolution CD 93/2005. These standards were effective for our fiscal year ended June 30, 2007.

The most significant changes included in the accounting standards adopted by the CNV relate to (i) changes in the impairment test of long-lived assets and (ii) changes to deferred income tax accounting and (iii) accounting of deferred income taxes on a non-discounted basis.

Under the new standards, the carrying value of a long-lived asset is considered impaired by a company when its value in use or its net realizable value, whichever is greater, is less than its carrying value. Value in use is determined by the expected cash flows from the assets discounted at a rate commensurate with the risk involved. Net realizable value is determined by the selling price of the asset less costs of sell.

The new standards provided for the accounting treatment of differences between the tax basis and book basis of non-monetary items for deferred income tax calculation purposes when companies prepare price-level restated financial statements. The new accounting standard mandates companies to treat these differences as temporary but allowed a one-time accommodation to continue treating these differences as permanent at the time of adoption of the standard. As a result, we elected to continue treating differences as permanent.

As mentioned in Note 4.b) to our consolidated financial statements, as of June 30, 2008 we owned a 42.13% equity interest in Inversiones y Representaciones Sociedad Anónima (IRSA).

Also contained in this Annual Report are the consolidated financial statements of IRSA, as of June 30, 2008 and 2007 and for the years ended June 30, 2008, 2007 and 2006, which have been audited by Price Waterhouse & Co. S.R.L. Buenos Aires Argentina, a member firm of PriceWaterhouseCoopers, an independent registered public accounting firm, whose report is included herein. As of June 30, 2008, IRSA has a significant investment in *Banco Hipotecario S.A.* that accounts for approximately 6.5% of IRSA s total consolidated assets. Also contained in this annual report are the consolidated financial statements of Banco Hipotecario S.A. (Banco Hipotecario) as of June 30, 2008 and 2007 and for the twelve months ended June 30, 2008, 2007 and 2006, which also have been audited by Price Waterhouse & Co. S.R.L., Buenos Aires, Argentina, a member firm of PricewaterhouseCoopers, an independent registered public accounting firm, whose report is included herein.

IRSA prepares its financial statements in Pesos and in conformity with Argentine GAAP and the regulations of the *Comisión Nacional de Valores*, which differ in certain significant respects from U.S. GAAP. Such differences involve methods of measuring the amounts shown in the consolidated financial statements, as well as additional disclosures required by U.S. GAAP and Regulation S-X of the SEC. See Note 28 to IRSA s consolidated financial statements contained elsewhere in this annual report for a description of the main differences between Argentine GAAP and U.S. GAAP as they relate to IRSA, and a reconciliation with U.S. GAAP of net income and shareholders equity.

As discussed in Note 3.n. to IRSA s financial statements, in order to comply with *Comisión Nacional de Valores* regulations, IRSA recognized deferred income tax assets and liabilities on a non-discounted basis. This accounting practice represented a departure from Argentine GAAP for the year ended June 30, 2006. However, such departure has not had a material effect on the IRSA s consolidated financial statements.

Additionally, as discussed in Notes 2.c. to IRSA s financial statements, in order to comply with regulations of the CNV, we discontinued inflation accounting as from February 28, 2003. The application of this CNV regulation represented a departure from Argentine GAAP. However, such departure has not had a material effect on our consolidated financial statements.

Certain amounts which appear in this annual report (including percentage amounts) may not sum due to rounding. Solely for the convenience of the reader, we have translated certain Peso amounts into U.S. dollars at the exchange rate quoted by the Central Bank for June 30, 2008, which was Ps.3.025 = US$ 1.00. We make no representation that the Peso or U.S. dollar amounts actually represent or could have been or could be converted into U.S. dollars at the rates indicated, at any particular rate or at all.

References to fiscal years 2004, 2005, 2006, 2007 and 2008 are to the fiscal years ended June 30 of each such year.

MARKET DATA

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

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PART I

Item 1. Identity of directors, Senior Management and Advisers

This item is not applicable.

Item 2. Offer statistics and expected timetable

This item is not applicable.

Item 3. Key information

A. SELECTED CONSOLIDATED FINANCIAL DATA

The following selected consolidated financial data has been derived from our audited consolidated financial statements as of the dates and for each of the periods indicated below. This information should be read in conjunction with and is qualified in its entirety by reference to our consolidated financial statements and the discussion in Operating and Financial Review and Prospects included elsewhere in this Annual Report. The selected consolidated statement of income data for the years ended June 30, 2008, 2007 and 2006 and the selected consolidated balance sheet data as of June 30, 2008 and 2007 have been derived from our consolidated financial statements which have been audited by Price Waterhouse & Co. S.R.L. Buenos Aires Argentina, a member firm of PricewaterhouseCoopers, Buenos Aires, Argentina, an independent registered public accounting firm.

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

Certain reclassifications have been made to consolidated financial data derived from our consolidated financial statements as of June 30, 2006 and 2005 and for the three years in the period ended June 30, 2006, which are not included herein, has been reclassified to conform to the presentation of our fiscal year ended June 30, 2008. The reclassifications had no impact on previously reported net income, net income per share, shareholders equity or cash flows.

The selected consolidated balance sheet data as of June 30, 2004 has been derived from our audited consolidated financial statements as of June 30, 2005 and 2004 and for the three years in the period ended June 30, 2005 which are not included herein.

Certain reclassifications have been made to financial data derived from our consolidated financial statements as of June 30, 2005 and 2004 and for the three years in the period ended June 30, 2005 to conform to the presentation of our fiscal year ended June 30, 2008. The reclassifications had no impact on previously reported net income, net income per share, shareholders equity or cash flows.

	As of the year ended June 30					
	2008[1]	2008	2007	2006	2005	2004
	(in US$, except for percentages)	(in Ps., except for percentages)				
INCOME STATEMENT DATA						
Argentine GAAP						
Production income:						
Crops	38,834,250	117,473,605	72,426,012	37,005,907	44,052,970	24,369,232
Beef cattle	7,909,727	23,926,925	19,462,410	20,452,655	19,993,923	20,637,512
Milk	6,089,368	18,420,338	10,911,397	7,892,462	3,463,144	3,191,948
Total production income	52,833,345	159,820,868	102,799,819	65,351,024	67,510,037	48,198,692

Cost of production:						
Crops	(27,157,260)	(82,150,711)	(51,538,292)	(34,635,590)	(34,463,844)	(17,616,790)
Beef cattle	(6,385,455)	(19,316,000)	(15,050,438)	(18,780,372)	(17,012,337)	(15,112,209)
Milk	(4,721,682)	(14,283,089)	(8,476,391)	(5,845,360)	(2,094,975)	(1,307,962)
Total cost of production	(38,264,397)	(115,749,800)	(75,065,121)	(59,261,322)	(53,571,156)	(34,036,961)
Gross income from production	14,568,948	44,071,068	27,734,698	6,089,702	13,938,881	14,161,731

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Sales:						
Crops	28,717,518	86,870,493	53,401,376	61,659,566	30,893,216	26,838,376
Beef cattle	10,721,299	32,431,928	31,966,582	33,713,479	36,826,885	27,723,604
Milk	5,782,662	17,492,552	9,730,929	7,892,462	3,463,144	3,191,948
Feed lot			3,102,229	2,721,377	2,129,838	7,120,335
Other	8,524,293	25,785,987	12,116,372	6,353,777	4,859,931	4,778,545
Total sales	53,745,772	162,580,960	110,317,488	112,340,661	78,173,014	69,652,808
Cost of sales:						
Crops	(25,106,948)	(75,948,518)	(47,350,203)	(52,948,920)	(26,272,586)	(23,992,089)
Beef cattle	(9,929,989)	(30,038,217)	(30,272,710)	(32,993,523)	(35,810,780)	(26,478,681)
Milk	(5,828,053)	(17,629,859)	(9,730,929)	(7,892,462)	(3,463,144)	(3,191,948)
Feed lot			(2,784,315)	(2,318,102)	(1,855,278)	(6,185,771)
Other	(5,745,198)	(17,379,224)	(6,737,019)	(3,257,448)	(1,546,204)	(1,196,060)
Total cost of sales	(46,610,188)	(140,995,818)	(96,875,176)	(99,410,455)	(68,947,992)	(61,044,549)
Gross income from sales	7,135,584	21,585,142	13,442,312	12,930,206	9,225,022	8,608,259
Gross profit	21,704,532	65,656,210	41,177,010	19,019,908	23,163,903	22,769,990
Selling expenses	(4,792,438)	(14,497,124)	(9,971,891)	(10,151,452)	(6,599,566)	(5,740,115)
Administrative expenses	(8,629,275)	(26,103,558)	(16,628,088)	(11,560,307)	(7,271,279)	(4,957,250)
Net gain on sale of farms	6,616,346	20,014,447	22,255,710	9,897,186	19,987,989	1,668,751
Unrealized gain on farm held for sale	292,565	885,009				
Unrealized gain (loss) on inventories:						
Beef cattle	2,821,539	8,535,154	5,102,943	2,847,711	11,620,779	2,236,255
Crops, raw materials and MAT	(3,595,940)	(10,877,719)	(3,926,654)	1,054,094	(4,644,234)	1,834,248
Operating income	14,417,329	43,612,419	38,009,030	11,107,140	36,257,592	17,811,879
Financial results, net	(17,278,539)	(52,267,581)	(10,457,994)	12,373,958	63,751,386	(18,969)
Gain on equity investees	12,699,903	38,417,207	40,198,825	22,140,997	28,087,632	26,669,884
Other expense, net	(1,352,894)	(4,092,503)	(4,250,800)	(3,367,594)	(5,065,386)	(363,761)
Management fee	(717,680)	(2,170,982)	(5,484,697)	(3,836,470)	(8,533,213)	(3,567,003)
Income before income tax and minority interest	7,768,119	23,498,560	58,014,364	38,418,031	114,498,011	40,532,030
Income tax expense	(93,908)	(284,073)	(8,375,095)	(5,431,831)	(37,787,594)	(8,570,269)
Minority interest	(88,082)	(266,449)	(277,000)	(102,924)	88,501	141,261
Net income	7,586,129	22,948,038	49,362,269	32,883,276	76,798,918	32,103,022
U.S. GAAP						
Total sales	53,745,772	162,580,960	104,493,979	105,371,504	75,582,982	62,179,287
Total cost of sales	(34,689,810)	(104,936,675)	(62,333,457)	(83,441,671)	(52,000,895)	(40,330,843)
Gross profit	19,055,962	57,644,285	42,160,522	21,929,833	23,582,087	21,848,444
Selling expenses	(4,795,301)	(14,505,785)	(9,935,884)	(10,195,068)	(6,612,375)	(5,674,857)
Administrative expenses	(10,618,964)	(32,122,366)	(24,306,848)	(16,096,656)	(19,677,287)	(4,561,060)
Operating income	3,641,697	11,016,134	7,917,790	(4,361,891)	(2,707,575)	11,612,527
Financial results, net	(18,466,472)	(55,861,079)	(15,752,831)	3,815,781	54,964,547	(8,998,813)
Gain on equity investees	14,084,411	42,605,343	40,562,309	21,758,975	47,201,959	3,455,098
Other expense, net	(1,350,030)	(4,083,842)	(4,126,463)	(3,245,776)	(1,815,594)	(539,804)
Income before income tax and minority interest	4,525,951	13,691,003	50,856,515	27,864,275	117,631,326	7,197,759
Income tax expense	988,443	2,990,040	(1,244,203)	(272,575)	(31,025,373)	(3,945,940)
Minority interest	(88,082)	(266,449)	(277,000)	(102,924)	88,501	35,483
Net income	5,426,312	16,414,594	49,335,312	27,488,776	86,694,454	3,287,302
BALANCE SHEET DATA						
Argentine GAAP						
Current assets:						
Cash and banks and investments	176,227,330	533,087,674	86,772,082	32,221,149	74,446,153	14,624,161
Inventories	36,867,855	111,525,262	52,460,289	28,932,135	46,293,640	35,441,885
Trade and other receivables, net	30,143,332	91,183,580	77,542,466	33,829,580	32,002,331	24,221,264
Other assets	353,886	1,070,506				
Non-current assets:						
Other receivables	13,674,317	41,364,810	43,236,560	36,005,292	6,480,334	101,758
Inventories	25,161,336	76,113,042	68,345,438	62,712,423	53,223,179	44,740,030

Investments	306,105,954	925,970,511	474,022,374	428,598,147	364,468,960	367,512,830
Property and equipment, net	88,137,442	266,615,763	245,919,561	224,775,512	166,497,596	160,026,473
Intangible assets, net	7,546,790	22,829,041	23,581,646	23,581,646		
Total assets	684,218,244	2,069,760,189	1,071,880,416	870,655,884	743,412,193	646,668,401
Current liabilities:						
Trade accounts payable	16,376,703	49,539,528	30,935,851	26,438,528	17,894,529	10,840,177
Short-term debt	64,661,225	195,600,209	122,749,734	66,421,573	11,499,782	8,090,261
Other liabilities, taxes, charges, salaries and social security payable	5,688,412	17,207,447	14,006,121	9,048,990	36,585,829	10,370,898
Non-current liabilities:						
Long-term debt	693,129	2,096,716	27,085,386	99,550,449	114,798,751	125,920,201

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Taxes payable	13,824,075	41,817,828	51,312,237	42,770,882	39,285,385	26,213,217
Total liabilities	101,243,546	306,261,728	246,089,329	244,230,422	220,064,276	181,434,754
Minority interest	383,580	1,160,330	836,872	559,871	276,947	65,451
Shareholders equity	582,591,118	1,762,338,131	824,954,215	625,865,591	523,070,970	465,168,196
U.S. GAAP						
Non-current assets:						
Inventories	11,370,386	34,395,419	32,297,175	26,348,869	16,950,827	14,371,493
Investments	286,622,351	867,032,613	597,100,979	444,010,858	289,309,184	236,526,965
Property and equipment, net	88,198,764	266,801,260	245,919,561	224,775,512	166,497,596	160,026,473
Total assets	650,651,127	1,968,219,659	1,158,910,758	843,456,953	625,764,749	478,020,170
Non-current liabilities:						
Long-term debt	49,066,974	148,427,595	4,722,857	69,708,185	74,810,412	76,346,451
Taxes payable	13,433,194	40,635,413	60,586,895	59,020,118	60,714,471	53,809,128
Total liabilities	149,226,510	451,410,192	233,001,458	228,821,956	199,627,882	155,443,201
Shareholders equity	501,041,037	1,515,649,137	925,072,428	614,066,773	425,859,920	322,511,158
CASH FLOW DATA						
Argentine GAAP						
Net cash provided by (used in) operating activities	(25,217,658)	(76,283,416)	(56,140,794)	(21,470,041)	(10,100,935)	(280,751)
Net cash provided by (used in) investing activities	(134,428,461)	(406,646,096)	(866,877)	(110,865,934)	62,734,033	(25,089,388)
Net cash provided by (used in) financing activities	303,415,804	917,832,807	115,813,757	92,250,539	1,691,457	16,670,247
U.S. GAAP(8)						
Net cash (used in) provided by operating activities	(24,649,907)	(74,565,968)	(62,359,968)	(3,839,611)	54,735,816	(13,156,027)
Net cash (used in) provided by investing activities	(215,646,300)	(652,330,059)	5,295,891	(133,000,622)	(1,918,881)	(12,983,501)
Net cash provided by (used in) financing activities	303,415,804	917,832,807	115,813,757	92,250,539	1,691,457	16,670,247
Effects of exchange rate changes	(567,751)	(1,717,448)	56,406	4,504,528	(183,837)	1,272,280
OTHER FINANCIAL DATA						
Argentine GAAP						
Basic net income per share(2)	0.02	0.06	0.20	0.19	0.49	0.23
Diluted net income per share(3)	0.02	0.06	0.16	0.13	0.25	0.13
Basic net income per ADS(2)(4)	0.21	0.62	2.00	1.93	4.90	2.30
Diluted net income per ADS(3)(4)	0.20	0.60	1.60	1.32	2.50	1.30
Weighted average number of common shares outstanding		368,466,065	247,149,373	170,681,455	155,343,629	137,137,783
Weighted average number of common shares outstanding plus conversion(5)		385,300,115	321,214,392	321,214,392	321,214,392	321,214,392
Dividends paid(6)	7.00	20.0	8.25	5.50	10.00	3.00
Dividends per share	0.013	0.040	0.026	0.024	0.059	0.020
Dividends per ADS(4)	0.13	0.40	0.26	0.24	0.59	0.20
Depreciation and amortization	2,140,115	6,473,847	4,459,067	5,112,088	4,169,139	3,937,141
Capital expenditures(7)	9,262,371	28,018,672	29,326,622	55,770,620	25,959,614	15,189,386
Gross margin(9)	41.1%	41.1%	40.1%	29.1%	34.3%	47.2%
Operating margin(10)	27.3%	27.3%	37.0%	17.0%	53.7%	37.0%
Net margin(11)	14.4%	14.4%	48.0%	50.3%	113.8%	66.6%
Ratio of current assets to current liabilities	2.81	2.81	1.29	0.93	2.31	2.54
Ratio of shareholders equity to total liabilities	5.75	5.75	3.35	2.56	2.38	2.56
Ratio of non current assets to total assets	0.64	0.64	0.80	0.89	0.79	0.89
Ratio of Return on Equity ROE	0.02	0.02	0.07	0.06	0.16	0.07
U.S. GAAP						

Basic net income per share(2)	0.01	0.04	0.20	0.16	0.56	0.02
Diluted net income per share(3)	0.01	0.04	0.18	0.15	0.34	0.02
Basic net income per ADS(2)(4)	0.13	0.40	2.00	1.61	5.58	0.24
Diluted net income per ADS(3)(4)	0.13	0.40	1.80	1.54	3.38	0.24
Weighted average number of common shares outstanding		368,466,065	247,149,373	170,681,455	155,343,629	137,137,783
Weighted average number of common shares outstanding plus conversion (5)		388,439,848	305,057,442	270,811,838	283,140,627	137,137,783
Gross margin(9)	35.5%	35.5%	40.3%	20.8%	31.2%	35.1%
Operating margin(10)	6.8%	6.8%	7.6%	(4.1%)	(3.6)%	18.7%
Net margin(11)	10.1%	10.1%	47.2%	26.1%	114.7%	5.3%

(1) Solely for the convenience of the reader, we have translated Peso amounts into U.S. dollars at the exchange rate quoted by Banco de La Nación Argentina for June 30, 2008 which was Ps.3.025 = US$1.00. We make no representation that the Peso or U.S. dollar amounts actually represent, could have been or could be converted into U.S. dollars at the rates indicated, at any particular rate or at all. See Exchange Rates.

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

(3) Diluted net income per share is computed by dividing the net income for the period by the weighted average number of common shares assuming the total conversion of outstanding notes. See Notes 12 and 20.II.f) to our consolidated financial statements for details on the computation of earning per share under Argentine GAAP and U.S. GAAP, respectively.

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

(5) Assuming (i) conversion into common shares of all of our outstanding convertible notes due 2007 and (ii) exercise of all outstanding warrants to purchase our common shares.

(6) The shareholders meeting held on October 31, 2008 approved by majority the distribution of a cash dividend amounting to Ps.20.0 million.

(7) Includes the purchase of farms and other property and equipment.

(8) This table is intended to present cash flows from operating, investing and financing activities under Argentine GAAP but following the classification guidelines of SFAS No. 95 under U.S. GAAP. See Note 20.II.e) to our consolidated financial statements for details of the differences in classifications affecting the categories of cash flows.

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

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

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

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Exchange Rates

In April 1991, Argentine law established a fixed exchange rate according to which the Central Bank was statutorily obliged to sell U.S. dollars to any individual at a fixed exchange rate of Ps.1.00 per US$1.00. On January 7, 2002, the Argentine congress enacted the Public Emergency Law, abandoning over ten years of fixed Peso-U.S. dollar parity at Ps.1.00 per US$1.00. After devaluing the Peso and setting the official exchange rate at Ps.1.40 per US$1.00, on February 11, 2002, the government allowed the Peso to float. The shortage of U.S. dollars and their heightened demand caused the Peso to further devalue significantly in the first half of 2002. Since June 30, 2002, the Peso has appreciated versus the U.S. dollar from an exchange rate of Ps.3.80=US$1.00 to an exchange rate of Ps.3.4060=US$1.00 at December 17, 2008 as quoted by *Banco de la Nación Argentina* at the U.S. dollar selling rate. Due to external shocks and aiming to maintain a stable parity, during the fiscal year 2008 the Central Bank has indirectly affected the exchange rate market, through active participation.

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

	Exchange Rate			
	High(1)	Low(2)	Average(3)	Period Closing
Fiscal year ended June 30, 2003	3.7400	2.7120	3.2565	2.8000
Fiscal year ended June 30, 2004	2.9510	2.7100	2.8649	2.9580
Fiscal year ended June 30, 2005	3.0400	2.8460	2.9230	2.8670
Fiscal year ended June 30, 2006	3.0880	2.8590	3.0006	3.0860
Fiscal year ended June 30, 2007	3.1080	3.0480	3.0862	3.0930
Fiscal year ended June 30, 2008	3.1840	3.0160	3.1396	3.0250
June 2008	3.1110	3.0160	3.0485	3.0250
July 2008	3.0440	3.0140	3.0230	3.0440
August 2008	3.0520	3.0250	3.0333	3.0300
September 2008	3.1350	3.0280	3.0833	3.1350
October 2008	3.3880	3.1340	3.2423	3.3880
November 2008	3.3870	3.2850	3.3264	3.3730
December 2008 (As of December 17, 2008)	3.4680	3.3830	3.4175	3.4060

Source: *Banco de la Nación Argentina*

(1) The high exchange rate stated was the highest closing exchange rate of the month during the fiscal year or any shorter period, as indicated.

(2) The low exchange rate stated was the lowest closing exchange rate of the month during the fiscal year or any shorter period, as indicated.

(3) Average month-end closing exchange rates.

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

B. CAPITALIZATION AND INDEBTEDNESS

This section is not applicable.

C. REASONS FOR THE OFFER AND USE OF PROCEEDS

This section is not applicable.

D. RISK FACTORS

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

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Risks Related to Argentina

Argentina s recent growth may not be sustainable.

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

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

Continuing inflation may have an adverse effect on the economy.

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

As of November 30, 2008, according to the argentine statistics and census agency, or INDEC, consumer prices increased by 7.9% on an annualized basis.

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

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

In January 2007, INDEC modified its methodology used to calculate the consumer price index, which is calculated as the monthly average of a weighted basket of consumer goods and services that reflects the pattern of consumption of Argentine households. Several economists as well as the international and Argentine press have suggested that this change in methodology was related to the Argentine government s policy aimed at curbing inflation. At the time that INDEC adopted this change in methodology, the Argentine government also replaced several key personnel at INDEC, prompting complaints of governmental interference from the technical staff at INDEC . In addition, the International Monetary Fund, or IMF, has requested that the government clarify its inflation rates. More recently, in June 2008, INDEC published a new consumer price index that eliminates nearly

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half of the items included in previous surveys and introduces adjustable weightings for fruit, vegetables and clothing, which have seasonal cost variations. INDEC has indicated that it based its evaluation of spending habits on a study of a national household consumption survey from 2004 to 2005 in addition to other sources; however, the new index has been criticized by economists and investors after its debut report found prices rising well below expectations. These events have affected the credibility of the consumer price index published by INDEC, as well as other indexes published by INDEC which require the consumer price index for their own calculation, including the poverty index, the unemployment index and real gross domestic product. Argentina s inflation rate may be significantly higher than the rates indicated by official reports. In addition, if it is determined that it is necessary to correct the consumer price index and the other INDEC indexes derived from the consumer price index, there could be a significant decrease in confidence in the Argentine economy, which could, in turn, have a materially adverse effect on our ability to access international credit markets at market rates to finance our operations.

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

In the first half of 2005, Argentina restructured part of its sovereign debt that had been in default since the end of 2001. The Argentine government announced that as a result of the restructuring, it had approximately US$126.6 billion in total outstanding debt remaining. Of this amount, approximately US$19.5 billion are defaulted bonds owned by creditors who did not participate in the restructuring of the external financial debt. As of June 30, 2008, the total outstanding debt was approximately US$ 149.8 billion.

Some bondholders in the United States, Italy and Germany have filed legal actions against Argentina, and holdout creditors may initiate new suits in the future. Additionally, foreign shareholders of certain Argentine companies have filed claims in excess of US$17 billion before the International Centre for the Settlement of Investment Disputes, or ICSID, alleging that certain government measures are inconsistent with the fair and equitable treatment standards set forth in various bilateral treaties to which Argentina is a party. As of the date of this annual report, the ICSID has rendered decisions in eight cases, requiring the Argentine government to pay approximately US$ 1.0 billion plus interest in claims.

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

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

Despite the positive effects of the real depreciation of the Peso in 2002 on the competitiveness of certain sectors of the Argentine economy, it has also had a far-reaching negative impact on the Argentine economy and on businesses and individuals financial condition. The devaluation of the Peso has had a negative impact on the ability of Argentine businesses to honor their foreign currency-denominated debt, initially led to very high inflation, significantly reduced real wages, had a negative impact on businesses whose success is dependent on domestic market demand, such as utilities and the financial industry, and adversely affected the government s ability to honor its foreign debt obligations.

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

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

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

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

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

The nationalization of Argentina s pension funds will adversely affect local capital markets.

In December 2008, the Argentina government transferred the approximately Ps. 94.4 billion (US$29.3 billion) in assets held by the country s ten private *Administradoras de Fondos de Jubilaciones y Pensiones* (pension fund management companies, or AFJPs) to the government-run social security agency (ANSES).

AFJPs were the largest participants in the country s local capital market. With the nationalization of their assets, the local capital market is expected to diminish in size and be substantially concentrated in the hands of the government. In addition, the government will become a significant shareholder in many of the country s private companies. As a result, access to liquidity may be further limited, funding costs may rise and the government may have greater influence over the operations of private companies.

The nationalization of the AFJPs has adversely affected investor confidence in Argentina. In addition, we cannot assure you that the government will not take similar measures in the future that interfere with private sector businesses and adversely affect the economy.

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

In 2001 and 2002, Argentina imposed exchange controls and transfer restrictions substantially limiting the ability of companies to retain foreign currency or make payments abroad. Many of these restrictions were substantially eased after the crisis. However, in June 2005, the government issued decree No. 616/2005, that established additional controls on capital inflows, including the requirement that, subject to limit exemptions, 30% of funds remitted to Argentina remain deposited in a domestic financial institution for one year without earning any interest. This measure increases the cost of obtaining foreign funds and limits access to these funds.

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

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

Beginning in February 2002, the payment of dividends, irrespective of amount, outside Argentina required prior authorization from the Central Bank. On January 7, 2003, the Central Bank issued communication A 3859 eliminating the limitation on companies ability to purchase foreign currency and transfer it outside Argentina to pay dividends. However similar restrictions may be enacted by the Argentine government or the Central Bank again and, if this were to occur, it could have an adverse effect on the value of our common shares and the ADSs. Moreover, in such event, restrictions on the transfers of funds abroad may impede your ability to receive dividend payments as a holder of ADSs.

The stability of the Argentine banking system is uncertain.

During 2001 and the first half of 2002, a significant amount of deposits were withdrawn from Argentine financial institutions. This massive withdrawal of deposits was largely due to the loss of confidence of depositors in the Argentine government s ability to repay its debts, including its debts within the financial system, and to maintain peso-dollar parity in the context of its solvency crisis. To prevent a run on the U.S. dollar reserves of local banks, the government restricted the amount of money that account holders could withdraw from banks and introduced exchange controls restricting capital outflows. While the condition of the financial system has improved, adverse economic developments, even if not related to or attributable to the financial system, could result in deposits flowing out of the banks and into the foreign exchange market, as depositors seek to shield their financial assets from a new crisis. Any run on deposits could create liquidity or even solvency problems for financial institutions, resulting in a contraction of available credit.

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

The Argentine economy could be adversely affected by economic developments in other global markets, in particular the current global financial crisis and economic downturn.

Financial and securities markets in Argentina are influenced, to varying degrees, by economic and market conditions in other global markets. Although economic conditions vary from country to country, investors perception of the events occurring in one country may substantially affect capital flows into other countries, including Argentina and the availability of funds for issuers in such countries. Lower capital inflows and declining securities prices negatively affect the real economy of a country through higher interest rates or currency volatility.

The Argentine economy was adversely impacted by the political and economic events that occurred in several emerging economies in the 1990s, including Mexico in 1994, the collapse of several Asian economies between 1997 and 1998, the economic crisis in Russia in 1998 and the Brazilian devaluation in January 1999.

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

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In 2008, particularly in recent months, the global financial system has been experiencing unprecedented volatility and disruption. The current financial turmoil has led to a significant tightening of credit, low levels of liquidity, extreme volatility in fixed income, credit, currency and equity markets and capital outflows away from emerging markets, including Argentina. This financial crisis has also begun to significantly and adversely impact global economic conditions. Countries around the world are currently experiencing a significant deterioration in economic conditions, including the United States which is currently in a pronounced recession. These conditions have had a negative impact on the Argentine economy, and could continue to adversely affect the conditions in the country in the foreseeable future. Although the extent of the impact is difficult to predict at this time, current global financial and economic conditions are expected to have a material adverse effect on Argentina s economy, and consequently on our business.

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

Argentina s economy has historically relied on the export of commodities, the prices of which have been volatile in the past and largely outside its control.

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

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

As a result of several years of recession, and the forced conversion into Pesos and subsequent freeze of gas and electricity tariffs, there has been a lack of investment in gas and electricity supply and transport capacity in Argentina in recent years. At the same time, demand for natural gas and electricity has increased substantially, driven by a recovery in economic conditions and price constraints. The federal government has been taking a number of measures to alleviate the short-term impact of energy shortages on residential and industrial users. If these measures prove to be insufficient, or if the investment that is required to increase natural gas production and transportation capacity and energy generation and transportation capacity over the medium-and long-term fails to materialize on a timely basis, economic activity in Argentina could be curtailed.

Risks Relating to Brazil

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

Our business is dependent to some extent on the economic conditions in Brazil. As of June 30, 2008*,* approximately 8.3% of our consolidated assets were located in Brazil through our affiliate BrasilAgro.

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

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

- fluctuation in exchange rates in Brazil;

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- monetary policy;
- exchange controls and restrictions on remittances outside Brazil, such as those which were imposed on such remittances (including dividends) in 1989 and early 1990;
- inflation in Brazil;
- interest rates;
- liquidity of the Brazilian financial, capital and lending markets;
- fiscal policy and tax regime in Brazil; and
- other political, social and economical developments in or affecting Brazil.

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

Inflation and government policies to combat it in Brazil may adversely affect the operations of BrasilAgro which could adversely impact our financial condition and results of operations.

Brazil has experienced high and generally unpredictable rates of inflation for many years in the past. Inflation itself, as well as governmental policies to combat inflation, has had significant negative effects on the Brazilian economy in general. Inflation, government efforts to control inflation and public speculation about future governmental actions have had, and can be expected to continue to have, significant impact on the Brazilian economy and on our operations in Brazil. As measured by the Brazilian *Índice Nacional de Preços au Consumidor* (National Consumer Price Index), or INPC, inflation in Brazil was 5.1%, 2.8% , 5.2% and 4.3% in 2005, 2006, 2007 and for the six-month period ended June 30, 2008, respectively. We cannot assure you that levels of inflation in Brazil will not increase in future years and have a material adverse effect on our business, financial condition or results of operations. Inflationary pressures may lead to further government intervention in the economy, including the introduction of government policies that could adversely affect the results of operations of BrasilAgro and consequently our financial condition and results of operations and the market price of our common shares and ADSs.

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

Brazil s rate of inflation and the government s actions to combat inflation have also affected the exchange rate between the *real* and the U.S. dollar. As a result of inflationary pressures, the Brazilian currency has been devalued periodically during the last four decades. Throughout this period, the Brazilian federal government has implemented various economic plans and utilized a number of exchange rate policies, including sudden devaluations, periodic mini devaluations (during which the frequency of adjustments has ranged from daily to monthly), floating exchange rate systems, exchange controls and dual exchange rate markets. During 2005, 2006, and 2007, the *real* appreciated 11.8%, 8.7% and 17.2%, respectively, against the U.S. dollar. As for the period of eleven-months ended November 30, 2008, as an impact of the world s economy crisis that unfolded in mid 2007 as a result of the disruption of the United States s subprime mortgage market, the real depreciated 31.7% against the U.S. dollar. Despite the recent depreciation there can be no assurance that the rate of exchange between the *real* and the dollar will not fluctuate significantly. In the event of a devaluation of the *real*, the financial condition and results of operations of our Brazilian subsidiary could be adversely affected.

Depreciation of the *real* relative to the U.S. dollar may increase the cost of servicing foreign currency-denominated debt that we may incur in the future, which could adversely affect our financial condition and results of operations. In addition, depreciation of the *real* could create additional inflationary pressures in Brazil that may adversely affect our results of operations. Depreciation generally curtails access to international capital markets

and may prompt government intervention. It could also reduce the U.S. dollar value of BrasilAgro s revenues, distributions and dividends, and the U.S. dollar equivalent of the market price of our common shares. On the other hand, the appreciation of the *real* against the U.S. dollar may lead to the deterioration of Brazil s public accounts and balance of payments, as well as to lower economic growth from exports.

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

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

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

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

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

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

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

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Risks Relating to Our Region

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

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

Currently, the world s economy is experiencing the effects of the crisis that unfolded in mid 2007 as a result of the disruption of the United States s subprime mortgage market. The final impact of the crisis on the economic conditions is difficult to predict. However, this crisis could trigger a less favorable or an unfavorable international environment for the countries where we operate and intend to operate, forcing domestic policy adjustments, which could trigger adverse economic conditions and adversely affect our business.

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

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

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

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

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

- exchange rates and exchange control policies;
- inflation rates;
- interest rates;
- tariff and inflation control policies;
- import duties on information technology equipment;

liquidity of domestic capital and lending markets;

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- electricity rationing;
- tax policies; and
- other political, diplomatic, social and economic developments in or affecting the countries where we intend to operate.

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

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

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

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

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

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

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

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

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

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

Risks Relating to Our Business

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

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

- prevailing world prices, which historically have been subject to significant fluctuations over relatively short periods of time, depending on worldwide demand and supply;

- changes in the agricultural subsidy levels in certain important countries (mainly the United States and countries in the European Union) and the adoption of other government policies affecting industry market conditions and prices; and

- demand for and supply of competing commodities and substitutes.

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

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

As we do not maintain insurance over our crop production, the occurrence of severe adverse weather conditions, especially droughts, hail or floods, is unpredictable and may have a potentially devastating impact upon our crop production and, to a lesser extent, our beef cattle production. The occurrence of severe adverse weather conditions may reduce yields on our farms or require us to increase our level of investment to maintain yields. As a result, we cannot assure you that future severe adverse weather conditions will not adversely affect our operating results and financial condition.

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

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

Our cattle are subject to diseases.

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

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We may be exposed to material losses due to volatile crop prices since we hold significant uncovered futures and options positions to hedge our crop price risk.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Though our cattle sales are diversified, we are and will continue to be significantly dependent on a number of third party relationships, mainly with our customers for crop and milk sales. In 2008, we sold our products to approximately 140 customers. Sales to our ten largest customers represented approximately 61.4% of our net sales for the fiscal year ended June 30, 2008. Of these customers, our biggest three customers, Cargill S.A., Mastellone Hnos. S.A. and Monsanto S.A.I.C., represented, in the aggregate, approximately 37.5% of our net sales, while the remaining seven customers in the aggregate represented approximately 23.9% of our net sales in fiscal year 2008.

In addition, we currently sell our entire raw milk production to one customer in Argentina, Mastellone Hnos. S.A. For the year ended June 30, 2008, these sales represented approximately 11.8% of our total revenues. There can be no assurance that this customer will continue to purchase our entire raw milk production or that, if it fails to do so, we could enter into satisfactory sale arrangements with new purchasers in the future.

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

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

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

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

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

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

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

As of November 30, 2008, Mr. Eduardo S. Elsztain, was the beneficial owner of 33.4% of our common shares. As a result of his significant influence over us, Mr. Elsztain, by virtue of his position in IFISA, has been able to elect a majority of the members of our board of directors, direct our management and determine the result of substantially all resolutions that require shareholders approval, including fundamental corporate transactions and our payment of dividends by us.

The interests of our principal shareholder and management may differ from, and could conflict with, those of our other shareholders. Pursuant to a consulting agreement we pay a management fee equal to 10% of our annual net income to Consultores Asset Management S.A., formerly known as Dolphin Fund Management S.A. (Consultores Asset Management), a company whose capital stock is 85% owned by Eduardo Elsztain and 15%

owned by Saúl Zang, the first vice-chairman of our board of directors. This performance based fee could be viewed as an incentive for Consultores Asset Management to favor riskier or more speculative investments than would otherwise be the case. In addition, as of November 30, 2008 Mr. Elsztain was the beneficial owner, due to his indirect shareholding through Cresud of approximately 55.2% of the common shares of IRSA, an Argentine company that currently owns approximately 63.3% of the common shares of its subsidiary Alto Palermo whose chief executive officer is Mr. Alejandro G. Elsztain, Mr. Eduardo Elsztain s brother and our chief executive officer of Cresud. We cannot assure you that our principal shareholders will not cause us to forego business opportunities that their affiliates may pursue or to pursue other opportunities that may not be in our interest, all of which may adversely affect our business, results of operations and financial condition and the value of our common shares and the ADSs.

We depend on our chairman and senior management.

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

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

The Investment Company Act may limit our future activities.

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

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

In recent years we have made a significant minority investment in the capital stock of IRSA, an Argentine company engaged in a range of real estate activities. As of September 30, 2007, we owned approximately 31.9% of IRSA s outstanding shares. As of June 30, 2007, our total investment in IRSA represented approximately 35.7% of our total assets. Although we believe we are not an investment company for purposes of the Investment Company Act, our belief is subject to substantial uncertainty, and we cannot give you any assurance that we would not be determined to be an investment company under the Investment Company Act. As a result, the uncertainty regarding our status under the Investment Company Act may adversely affect our ability to offer and sell securities in the United States or to U.S. persons. The United States capital markets have historically been an important source of funding for us, and our future financing ability may be adversely affected by a lack of access to the United States capital markets. If an exemption under the Investment Company Act is unavailable to us in the future and we desire to access the U.S. capital markets, our only recourse would be to file an application to the SEC for an exemption from the provisions of the Investment Company Act which is a lengthy and highly uncertain process.

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

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

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

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

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

We could be adversely affected by our investment in IRSA if IRSA s value decreases.

As of November 30, 2008, we owned 54.01% of IRSA s outstanding shares. As of June 30, 2008, we owned 42.13% of IRSA s outstanding shares which represented an investment of Ps.622.6 million through the purchase of shares and the conversion of convertible notes. In addition, as of such date, we have no further warrants or convertible notes of IRSA. At the end of fiscal year 2008, our investment in IRSA represented approximately 35.1% of our total consolidated assets, and during fiscal year 2008, our gain from our investment in IRSA was Ps.31.5 million.

Our investment in IRSA is subject to risks common to investments in commercial and residential properties in general, many of which are not within IRSA s control. Any one or more of these risks might materially and adversely affect IRSA s business, financial condition or results of operations. The yields available from equity investments in real estate depend on the level of sales or rental income generated and expenses incurred. In addition, other factors may affect the performance and value of a property adversely, including local economic conditions where the properties are located, macroeconomic conditions in Argentina and the rest of the world, competition from other real estate developers, IRSA s ability to find tenants, tenant default or rescission of leases, changes in laws and governmental regulations (including those governing usage, zoning and real property taxes), changes in interest rates (including the risk that increased interest rates may result in decreased sales of lots in the residential development properties) and the availability of financing. IRSA may also be unable to respond effectively to adverse market conditions or may be forced to sell one or more of its properties at a loss because the real estate market is relatively illiquid. Certain significant expenditures, such as debt service, real estate taxes, and operating and maintenance costs, generally are not reduced in circumstances resulting in a reduction in income from the investment.

It is possible that these or other factors or events will impair IRSA s ability to respond to adverse changes in the performance of its investments, causing a material decline in IRSA s financial condition or results of operations which could adversely affect our financial condition and results of operations.

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

As of June 30, 2008, our investment in BrasilAgro represented 8.3% of our total consolidated assets. BrasilAgro was formed on September 23, 2005 to exploit opportunities in the Brazilian agricultural sector. BrasilAgro seeks to acquire and develop future properties to produce a diversified range of agricultural products (which may include sugarcane, grains, cotton, forestry products and livestock). BrasilAgro is a startup company that has been operating since 2006. As a result, it has a developing business strategy and limited track record. BrasilAgro s business strategy may not be successful, and if not successful, BrasilAgro may be unable to successfully modify its strategy. BrasilAgro s ability to implement its proposed business strategy may be materially and adversely affected by many known and unknown factors. If we were to write-off our investments in BrasilAgro, this would likely materially and adversely affect our business. As of December 17, 2008, we owned 14.79% of the outstanding common shares of BrasilAgro.

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

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

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

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

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

We will be subject to extensive environmental regulation.

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

As of June 30, 2008, we owned land reserves in excess of 230,532 hectares, most of which are located in under-utilized areas where agricultural production is not fully developed. Existing or future environmental regulations may prevent us from completely developing our land reserves, requiring us to maintain a portion of

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such land as unproductive land reserves. In accordance with legislative requirements, we have applied for approval to develop parts of our land reserves, to the extent allowed. We cannot assure you that current or future development applications will be approved, and if so, to what extent we will be allowed to develop our land.

Increased energy prices could adversely affect our operations.

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

Risks Related to IRSA s Business

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

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

- downturns in the national, regional and local economic climate;
- volatility and decline in discretionary spending;
- competition from other office, industrial and commercial buildings;
- local real estate market conditions, such as oversupply or reduction in demand for office, or other commercial or industrial space;
- changes in interest rates and availability of financing;
- the exercise by its tenants of their legal right to early termination of their leases;
- vacancies, changes in market rental rates and the need to periodically repair, renovate and re-lease space;
- increased operating costs, including insurance expense, utilities, real estate taxes, state and local taxes and heightened security costs;
- civil disturbances, earthquakes and other natural disasters, or terrorist acts or acts of war which may result in uninsured or underinsured losses;
- significant expenditures associated with each investment, such as debt service payments, real estate taxes, insurance and maintenance costs which are generally not reduced when circumstances cause a reduction in revenues from a property;

declines in the financial condition of IRSA s tenants and IRSA s ability to collect rents from its tenants;

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

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

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

IRSA s investment in property development or redevelopment may be less profitable than IRSA anticipates.

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

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

The real estate industry in Argentina is increasingly competitive.

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

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

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

IRSA faces risks associated with property acquisitions.

IRSA has in the past acquired, and intends to acquire in the future, properties, including large properties (such as the acquisition of Abasto de Buenos Aires or Alto Palermo Shopping) that would increase IRSA s size and potentially alter its capital structure. Although IRSA believes that the acquisitions that IRSA has completed in the past and that it expects to undertake in the future, have, and will, enhance IRSA s future financial performance, the success of such transactions is subject to a number of uncertainties, including the risk that:

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

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

IRSA owns several plots of land which are not zoned for development purposes or for the type of developments IRSA intends to propose, including Santa María del Plata (through Solares de Santa María S.A.) and Puerto Retiro (through Puerto Retiro S.A.C.I. y N. (Puerto Retiro)). In addition, IRSA does not yet have the required land-use, building, occupancy and other required governmental permits and authorizations. IRSA cannot assure you that it will continue to be successful in its attempts to rezone land and to obtain all necessary permits and authorizations, or that rezoning efforts and permit requests will not be unreasonably delayed. Moreover, IRSA may be affected by building moratoria and anti-growth legislation. If IRSA is unable to obtain all of the governmental permits and authorizations it needs to develop its present and future projects as planned, IRSA may be forced to make unwanted modifications to such projects or abandon them altogether.

Acquired properties may subject IRSA to unknown liabilities.

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

- liabilities for clean-up of undisclosed environmental contamination;

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

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liabilities incurred in the ordinary course of business.

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

IRSA currently carries liability and fire insurance policies that cover potential risks such as property damage, negligence liability, fire, falls, collapse, lightning and gas explosion, electrical and water damages, theft and business interruption on all of its properties. Although IRSA believes the policy specifications and insured limits of these policies are generally customary, there are certain types of losses, such as lease and other contract claims and terrorism and acts of war that generally are not insured. Should an uninsured loss or a loss in excess of insured limits occur, IRSA could lose all or a portion of the capital it has invested in a property, as well as the anticipated future revenue from the property. In such an event, IRSA might nevertheless remain obligated for any mortgage debt or other financial obligations related to the property. We cannot assure you that material losses in excess of insurance proceeds will not occur in the future. If any of IRSA s properties were to experience a catastrophic loss, it could seriously disrupt IRSA s operations, delay revenue and result in large expenses to repair or rebuild the property.

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

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

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

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

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

The current economic environment for real estate companies and credit crisis may adversely impact IRSA s results of operations and business prospects significantly.

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

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

IRSA has had, and expects to continue to have, substantial liquidity and capital resource requirements to finance its business. As of June 30, 2008, IRSA s consolidated financial debt was Ps.1,311.4 million (including accrued and unpaid interest and deferred financing costs). Although IRSA is generating sufficient funds from operating cash flows to satisfy its debt service requirements and its capacity to obtain new financing is adequate, given the current availability of credit lines with banks, we cannot assure you that IRSA will maintain such cash flow and adequate financial structure in the future. The fact that IRSA is leveraged may affect its ability to refinance existing debt or borrow additional funds to finance working capital, acquisitions and capital expenditures. In addition, current disruptions in the financial markets, including the bankruptcy and restructuring of major financial institutions, may adversely impact IRSA s ability to refinance existing debt and the availability and cost of credit in the near future. Presently, access to capital and debt financing options are severely restricted and it is uncertain how long current economic circumstances may last. This would require IRSA to allocate a substantial portion of cash flow to repay principal and interest, thereby reducing the amount of money available to invest in operations, including acquisitions and capital expenditures. IRSA s leverage could place IRSA at a disadvantage compared to its competitors who are less leveraged and limit its ability to react to changes in market conditions such as the current international crisis, changes in the real estate industry and economic downturns. Although IRSA has successfully restructured its debt, we cannot assure you that IRSA will not relapse and become unable to pay its obligations.

IRSA may not be able to generate sufficient cash flows from operations to satisfy its debt service requirements or to obtain future financing. If IRSA cannot satisfy its debt service requirements or if IRSA defaults on any financial or other covenants in its debt arrangements, the holders of IRSA s debt will be able to accelerate the maturity of such debt or cause defaults under the other debt arrangements. IRSA s ability to service debt obligations or to refinance them will depend upon its future financial and operating performance, which will, in part, be subject to factors beyond IRSA s control such as macroeconomic conditions and regulatory changes in Argentina. Also, the illiquidity of the international capital markets and the illiquidity of the local capital market, due to the nationalization of the Argentine private pension funds, may create IRSA additional difficulties to obtain future financing. If IRSA cannot obtain future financing, it may have to delay or abandon some or all of its planned capital expenditures, which could adversely affect IRSA s ability to generate cash flows and repay its obligations.

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

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

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

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

The current credit crisis is having a significant negative impact on businesses around the world. Although IRSA believes that its cash provided by operations and available borrowing capacity under the current conditions will provide IRSA with sufficient liquidity through the current credit crisis, the impact of the crisis on IRSA s major customers cannot be predicted and may be quite severe. A disruption in the ability of IRSA s significant customers to access liquidity could cause serious disruptions or an overall deterioration of their businesses which could lead to a significant reduction in the demand for leasable spaces and the inability or failure on their part to meet their payment obligations to us, any of which could have a material adverse effect on its results of operations and liquidity.

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

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

- the accessibility and the attractiveness of the area where the shopping center is located;
- the intrinsic attractiveness of the shopping center;
- the flow of people and the level of sales of each shopping center rental unit;
- increasing competition from internet sales;
- the amount of rent collected from each shopping center rental unit; and
- the fluctuations in occupancy levels in the shopping centers.

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

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

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

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IRSA is subject to payment default risks due to its investments in consumer financing through its subsidiary Alto Palermo.

Through its subsidiary Alto Palermo IRSA owns as of November 30, 2008 a 93.4% interest in Tarshop S.A., or Tarshop, a company dedicated to the consumer financing business that originates credit cards accounts and personal loans to promote sales from Alto Palermo s tenants and other selected retailers. For the fiscal year ended June 30, 2008, Tarshop had net revenues of Ps 291.0 million, representing 45.5% of Alto Palermo s consolidated revenues and 26.8% of IRSA s consolidated revenues for such fiscal period and incurred a net loss of Ps 18.6 million. For the three months ended September 30, 2008, Tarshop had net revenues of Ps. 48.8 million, representing for such period 33.9% of Alto Palermo s consolidated revenues and 22.3% of our consolidated revenues for such fiscal period, and incurred a net loss of Ps. 57.1 million.

Consumer financing businesses such as Tarshop are adversely affected by defaults or late payments by borrowers and card holders on credit card accounts, difficulties enforcing collection of payments, fraudulent accounts and the writing off of past due receivables. Alto Palermo may face higher liquidity risks due to the nationalization of the AFJPs. Tarshop provides an allowance for uncollectible accounts based on impaired accounts, historical charge-off patterns and management judgment. Due to the current credit crisis and other conditions, some customers experienced delays in payments and delinquency rates increased during the year ended June 30, 2008. Moreover, delinquency rates further increased as of September 30, 2008 and thereafter. Tarshop has increased the level of the allowance for doubtful accounts which amounts to Ps. 66.5 million as of June 30, 2008. The allowance for doubtful accounts was increased to Ps. 83.7 million as of September 30, 2008. Tarshop is closely monitoring the delays, delinquency and uncollectibility rates.

The present rates of delinquency, collection proceedings and loss of receivables may vary and be affected by numerous factors beyond IRSA s control, which, among others, include:

- adverse changes in the Argentine economy;
- adverse changes in the regional economies;
- political instability;
- changes in regulations;
- increases in unemployment; and
- erosion of real and/or nominal salaries.

Recent months have witnessed an unprecedented, and largely unpredicted, turmoil in financial markets in the US and in global economies. This contraction and the factors described above may have an adverse effect on rates of delinquency, collections and receivables, any one or more of which could have a material adverse effect on the results of operations of Tarshop s consumer financing business.

In addition, if IRSA s consumer financing business is adversely affected by one or more of the above factors, the quality of Alto Palermo s securitized receivables is also likely to be adversely affected. Therefore, Alto Palermo could be adversely affected to the extent that Alto Palermo holds an interest in any such securitized receivables.

Tarshop s accounts receivables, which consist of cash flows from consumer financing and personal loans, are placed into a number of trust accounts that securitize those receivables. Tarshop sells beneficial interests in these trust accounts through the sale of debt certificates, but remains a beneficiary of these trust accounts by holding Ps.156.8 million in equity certificates as of June 30, 2008.

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The securitization market is still open and Tarshop completed securitization programs during the recent months with no disruptions. As of June 30, 2008, Tarshop credit risk exposure is contractually limited to the subordinated retained interests representing Ps.156.8 million and Ps.19.4 escrow reserves for losses. As of September 30, 2008, Tarshop credit risk exposure is contractually limited to the subordinated retained interests representing Ps.161.2 million and Ps.17.9 million escrow reserves for loses. Due to the factors mentioned above, as of June 30, 2008, Tarshop recorded an other-than-temporary impairment charge of Ps. 12.0 million to the retained interests to reflect current fair value. For the three months ended September 30, 2008 no additional impairment charge of related to the retained interests in securitized receivables was necessary.

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

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

Tarshop S.A., an Alto Palermo subsidiary, is a consumer financing company that originates credit card accounts and personal loans to promote sales from Alto Palermo s tenants and other selected retailers. Tarshop operates in the issuance, processing and marketing of its own non-banking credit card called *Tarjeta Shopping* and grants loans and personal credits. Tarshop s accounts receivables, which consist of cash flows from consumer financing and personal loans, are placed into a number of trust accounts that securitize those receivables. Tarshop sells beneficial interests in these trust accounts through the sale of debt certificates, but remains a beneficiary of these trust accounts by holding Ps.156.8 million in participation certificates as of June 30, 2008. As of June 30, 2008, the Company has recorded an other-than-temporary impairment charge of Ps. 12.0 million to the retained interests in securitized receivables to reflect current fair value of the participation certificates.

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

IRSA is subject to risks affecting the hotel industry.

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

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

- IRSA s ability to form successful relationships with international and local operators to run its hotels;
- changes in tourism and travel patterns, including seasonal changes;
- affluence of tourists, which can be affected by a slowdown in global economy; and
- taxes and governmental regulations affecting wages, prices, interest rates, construction procedures and costs.

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

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

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

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

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

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

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

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

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

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

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

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Eviction proceedings in Argentina are difficult and time consuming.

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

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

IRSA s assets are concentrated in the Buenos Aires area.

IRSA s principal properties are located in the City of Buenos Aires and the Province of Buenos Aires and a substantial portion of its revenues are derived from such properties. For the fiscal year ended June 30, 2008, more than 88% of IRSA s consolidated revenues were derived from properties in the Buenos Aires metropolitan area including the City of Buenos Aires. Although IRSA owns properties and may acquire or develop additional properties outside Buenos Aires, IRSA expects to continue to depend to a large extent on economic conditions affecting those areas, and therefore, an economic downturn in those areas could have a material adverse effect on its financial condition and results of operations.

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

From 1994 to 2002, IRSA had substantial investments outside of Argentina, including Brazil Realty, which was sold in 2002, and Fondo de Valores Inmobiliarios in Venezuela, which was sold in 2001. IRSA continues to believe that Brazil and other Latin American countries offer attractive opportunities for growth in the real estate sector. IRSA will continue to consider investment opportunities outside of Argentina as they arise.

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

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

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

In 1991, Indarsa had purchased 90% of Tandanor, a formerly government owned company, which owned a large piece of land near Puerto Madero of approximately 8 hectares, divided into two spaces: Planta 1 and 2. After the purchase of Tandanor by Indarsa, in June 1993 Tandanor sold Planta 1 to Puerto Retiro, for a sum of US$18 million pursuant to a valuation performed by J.L. Ramos, a well-known real estate brokerage firm in Argentina.

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Indarsa failed to pay to the Argentine government the outstanding price for its purchase of the stock of Tandanor. As a result the Ministry of Defense requested the bankruptcy of Indarsa. Since the only asset of Indarsa was its holding in Tandanor, the Argentine government is seeking to extend the bankruptcy to the companies or individuals which, according to its view, acted as a single economic group. In particular, the Argentine government has requested the extension of the bankruptcy to Puerto Retiro which acquired Planta 1 from Tandanor.

The time for producing evidence in relation to these legal proceeding has expired. The parties have submitted their closing arguments and are awaiting a final judgment. However, the judge has delayed his decision until a final judgment in the criminal proceedings against the former Defense Minister and former directors of Indarsa has been delivered. We cannot give you any assurance that IRSA will prevail in this proceeding, and if the plaintiff s claim is upheld by the courts, all of the assets of Puerto Retiro would likely be used to pay Indarsa s debts and IRSA s investment in Puerto Retiro, valued at Ps.54.5 million as of June 30, 2008, would be lost. As of June 30, 2008, IRSA had not established any reserve in respect of this contingency.

Property ownership through joint ventures may limit IRSA s ability to act exclusively in its interest.

IRSA develops and acquires properties in joint ventures with other persons or entities when it believes circumstances warrant the use of such structures. For example, in the Shopping Center segment, IRSA owns 63.3% of Alto Palermo, while Parque Arauco S.A. owns 29.6%. IRSA owns 80% of Panamerican Mall S.A., while 20% is owned by Centro Comercial Panamericana S.A. In the Development and Sale segment, IRSA has majority ownership interests in various properties, including 100% ownership of Pereiraola S.A. IRSA also has ownership of 50% in Puerto Retiro and Cyrsa. In addition IRSA has a 90% stake in Solares de Santa María S.A. while Sutton Group owns the remaining 10%. In the Hotel operations segment, IRSA owns 50% of the Llao Llao Hotel, while another 50% is owned by the Sutton Group. IRSA owns 80% of the Hotel Libertador, while 20% is owned by Hoteles Sheraton de Argentina S.A. In the financial services sector, IRSA owns 11.8% of Banco Hipotecario, while the Argentine government has a controlling interest in it. Finally, after the end of fiscal year ended June 30, 2008, IRSA acquired a 30% interest in Metropolitan 885 Third Avenue LLC.

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

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

IRSA may not be able to recover the mortgage loans it has provided to purchasers of units in its residential development properties.

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

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

On November 6, 2003 Law No. 25,798 was enacted. It established a system to restructure debts resulting from unpaid mortgage loans, by creating a trust by means of which the Executive Branch will refinance the mortgage debts and reschedule the maturity date. Financial institutions were given up to 60 business days from the enactment of the law to accept said terms. This law was partially modified by Law No. 25,908 (enacted on July 13, 2004), which included various conditions referring to the incorporation into this system of the mortgage loans that were in judicial or private execution proceedings. The parties to secured loan agreements were given a term to express their adhesion to such system. The term for financial institutions to accept the system was extended in several occasions by Decree No. 352/2004, Law No. 26,062, Law No. 26,084 and Law No. 26,103.

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

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

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

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

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

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

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

IRSA s largest beneficial owner is Mr. Eduardo S. Elsztain, through his indirect shareholding through us. As of November 30, 2008, such beneficial ownership consisted of: (i) 290,654,653 shares held by us, (ii) 1,503,602 shares held by IFISA, (iii) 661,000 shares held by Consultores Assets Management S.A., (iv)

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4,425,439 held by Dolphin Fund PLC, a limited liability company organized under the laws of Isle of Man, (v) 21,874,790 shares held by Agrology S.A., our subsidiary, and (vi) 342,197 shares held directly by Mr. Elsztain.

Conflicts of interest between IRSA s management, IRSA and IRSA s affiliates may arise in the performance of IRSA s respective business activities. As of November 30, 2008, Mr. Elsztain also beneficially owned (i) approximately 33.4% of Cresud s common shares and (ii) approximately 63.3% of the common shares of IRSA s subsidiary Alto Palermo. We cannot assure you that IRSA s principal shareholders and their affiliates will not limit or cause IRSA to forego business opportunities that their affiliates may pursue or that the pursuit of other opportunities will be in IRSA s interest.

Due to the currency mismatches between its assets and liabilities, IRSA has significant currency exposure.

As of June 30, 2008, the majority of IRSA s liabilities, such as IRSA s 8.5% notes due 2017, Alto Palermo s Series I Notes , the mortgage loan to IRSA s subsidiary Hoteles Argentinos S.A. and Alto Palermo s convertible notes are denominated in U.S. dollars while IRSA s revenues and most of its assets as of June 30, 2008, are denominated in Pesos. This currency gap exposes IRSA to a risk of exchange rate volatility, which would negatively affect its financial results if the dollar were to appreciate against the Peso. Any further depreciation of the Peso against the U.S. dollar will correspondingly increase the amount of IRSA s debt in Pesos, with further adverse effects on its results of operation and financial condition and may increase the collection risk of IRSA s leases and other receivables from its tenants and mortgage debtors, most of whom have Peso-denominated revenues.

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

During the last years, retail sales by means of the Internet have grown significantly in Argentina, even though the market share of Internet sales related to retail sales is still not significant. The Internet enables manufacturers and retailers to sell directly to consumers, diminishing the importance of traditional distribution channels such as retail stores and shopping centers. IRSA believes that its target consumers are increasingly using the Internet, from home, work or elsewhere, to shop electronically for retail goods, and this trend is likely to continue. If e-commerce and retail sales through the Internet continue to grow, consumers reliance on traditional distribution channels such as IRSA s shopping centers could be materially diminished, having a material adverse effect on its financial condition, results of operations and business prospects.

Risks Relating to IRSA s Investment in Banco Hipotecario

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

As of June 30, 2008, IRSA owned 11.8% of Banco Hipotecario which represented 6.5% of IRSA s consolidated assets at such date. Banco Hipotecario recorded losses of Ps.59.6 million for the fiscal year ended June 30, 2008. Moreover, for the three months ended September 30, 2008, Banco Hipotecario recorded losses of Ps.47.2 million and Banco Hipotecario might record new losses for the rest of the fiscal year. Substantially all of Banco Hipotecario s operations, properties and customers are located in Argentina. Accordingly, the quality of its loan portfolio, its financial condition and results of operations depend to a significant extent on economic and political conditions prevailing in Argentina. The political and economic crisis in Argentina during 2002 and 2003 and the Argentine government s actions to address it have had and may continue to have a material adverse effect on Banco Hipotecario s business, financial condition and results of operations.

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

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

Over the past few months, the financial markets in the most important countries in the world have been affected by volatility, lack of liquidity and credit, which entailed a significant drop in international stock indexes, and an economic slow-down started to become evident worldwide. Despite the actions taken by central countries, the international markets future is still uncertain.

As regards Argentina, and after June 30, 2008, stock markets reflected significant drops in the prices of government and corporate securities, as well as an increase in interest rates, country risk and exchange rates, a situation that is still ongoing as of the date of issuance of this report. Banco Hipotecario considers that these situations did not exist as of June 30, 2008, but arose subsequent to that date.

As a result of the situation described above, the market value of the BODEN 2012, BOGAR and Discount bonds as of December 15, 2008, decreased approximately by Ps.806,451 compared to its market value as of June 30, 2008. The decrease in the prices of government securities plus the increase in the Argentine credit risk originated the necessity to increase the guarantees deposited for swap and repo transactions.

In addition, as a consequence of the financial situation described above, the decrease in the quotation of Banco Hipotecario s shares have caused a decrease in the fair value of the Total Return Swap approximately by Ps.37,328 as of December 15, 2008 compared to its fair value as of June 30, 2008.

The net position of the derivative financial instruments have experienced a decline of Ps.114,388 as of September 30, 2008 compared to June 30, 2008, as a consequence of the financial crisis described above. Subsequently, and as of the date of issuance of this report, the main variables that determine fair value (EURO/US Dollar/BADLAR/LIBOR/Country Risk), continue being affected by the market volatility mentioned before.

Banco Hipotecario s management is monitoring the effects derived from the above situation described in order to implement the necessary measures to mitigate its effect. This document must be analyzed taking into consideration the scenario described above.

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

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

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

In the past years Banco Hipotecario has made several investments that are designed to enable it to develop retail banking activities. Banco Hipotecario must overcome significant challenges to achieve this goal including,

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among others, its lack of experience and client relationships outside the mortgage sector, the existence of large, well-positioned competitors and significant political, regulatory and economic uncertainties in Argentina. As a result, we cannot give you any assurance that Banco Hipotecario will be successful in developing significant retail banking activities in the foreseeable future, if at all. If Banco Hipotecario is unable to diversify its operations by developing its retail banking activities and other non-mortgage banking activities, the value of IRSA s substantial investment in Banco Hipotecario would likely be materially and adversely affected.

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

In accordance with Emergency Decree No. 214/02 and its implementing regulations, pesified assets and liabilities were adjusted for inflation as of February 3, 2002 by application of the Coeficiente de Estabilización de Referencia, or CER, a consumer price inflation coefficient. On May 6, 2002, the Executive Branch issued a decree providing that mortgages originally denominated in U.S. dollars and converted into Pesos pursuant to Decree No. 214/2002 and mortgages on property constituting a borrower s sole family residence may be adjusted for inflation only pursuant to a coefficient based on salary variation, the CVS, which during 2002 was significantly less than inflation as measured by the wholesale price index, or WPI. Through December 31, 2002, the WPI and the CVS posted cumulative increases of 118.2% and 0.2%, respectively, and the CER increased 41.4%. During 2003, inflation rose by 4.3% as measured by the WPI, 3.7% as measured by the CER and 15.8% as measured by the CVS. As a result, only 10% of Banco Hipotecario s mortgage loans are adjusted for inflation in accordance with the CER, 30% are adjusted in accordance with the CVS and 60% remain entirely unindexed. Additionally, pursuant to Law No. 25,796, Section 1, repealed effective April 1, 2004, the CVS as an indexation mechanism applied to the relevant portion of Banco Hipotecario s mortgages loans. The CVS increased until it was repealed by 5.3%, whereas the increase in CER was 5.5% as of December 31, 2004 and the WPI increased by 7.9%. During 2005, the CER was 11.75% and the WPI 10.7%, while in 2006 the CER and WPI increased by 10.3% and 7.1%, respectively. In 2007, CER and WPI increased by 8.5% and 14.4%, respectively. For the six months period ended June 30, 2008, the CER increased 6%.

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

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

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

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

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

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

On December 7, 2007, Law No. 26,313 was enacted, establishing a mandatory restructuring of certain mortgage loans that were granted by the former Banco Hipotecario Nacional prior to April 1, 1991, for the purchase, improvement, construction and/or expansion of single family residences, or for the repayment of loans that were used for any of such purposes. On December 19, 2008, through Decree 2107/08, the government issued regulations explaining its scope of application. This law applies only to non-performing mortgage loans granted before April 1, 1991, and requires a new balance calculation for loans affected. Banco Hipotecario S.A., as legal successor to the former Banco Hipotecario Nacional, has estimated that it has enough loan allowances to face possible negative economic effects that could arise from this situation.

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

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

As a result of Banco Hipotecario s strategy to diversify its banking operations and develop retail and other non-mortgage banking activities, in recent years its portfolio of non-mortgage loans has grown rapidly. During the period between June 30, 2005 and June 30, 2008, Banco Hipotecario s portfolio of non-mortgage loans grew 150.9% from Ps.911.0 million to Ps.2,361.4 million. A substantial portion of its portfolio of non-mortgage loans consists of loans to low- and middle-income individuals and, to a lesser extent, middle-market companies. These individuals and companies are likely to be more seriously affected by adverse developments in the Argentine economy than high income individuals and large corporations. Consequently, in the future Banco Hipotecario may experience higher levels of past due non-mortgage loans that would likely result in increased provisions for loan losses. In addition, large-scale lending to low- and middle-income individuals and middle-market companies is a new business activity for Banco Hipotecario, and as a result its experience and loan-loss data for such loans are necessarily limited. Therefore, we cannot assure you that the levels of past due non-mortgage loans and resulting charge-offs will not increase materially in the future.

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

Banco Hipotecario prepares its financial statements in accordance with Central Bank accounting rules which differ in certain material respects from Argentine GAAP. During 2002, Central Bank accounting rules were modified in several respects that materially increased certain discrepancies between Central Bank accounting rules and Argentine GAAP. In accordance with Central Bank accounting rules, Banco Hipotecario s consolidated balance sheet as of June 30, 2008 includes US$684.7 million of BODEN issued by the Argentine government as compensation for pesification, as well as an US$84.4 million asset representing its right to acquire additional BODEN. Banco Hipotecario s consolidated balance sheet as of June 30, 2008 also includes Ps.239.1 million representing Central Bank borrowings which Banco Hipotecario incurred to finance its acquisition of the additional BODEN. Since September 30, 2005 Banco Hipotecario has subscribed additional BODEN 2012 in the amount of US$773.5 million and reduced Central Bank borrowings in the amount of Ps.1,844.0 million. Additionally, its most recent consolidated annual income statements include the accrual of interest income to be received on BODEN not yet received and interest to be paid adjusted by CER on Central Bank borrowings.

In accordance with Central Bank accounting rules, the BODEN reflected on Banco Hipotecario s consolidated balance sheet as of June 30, 2008 have been recorded at 100% of face value. The fair value of the Boden 2012 as of June 30, 2008 decreases the shareholder s equity in Ps.212.6 million.

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

As of June 30, 2008, Banco Hipotecario s foreign currency-denominated liabilities exceeded its foreign-currency-denominated assets by approximately US$238.3 million. Substantially all of Banco Hipotecario s foreign currency assets consist of dollar-denominated BODEN, but Banco Hipotecario s liabilities in foreign currencies are denominated in both U.S. Dollars and Euros. This currency gap exposes Banco Hipotecario to risk of exchange rate volatility which would negatively affect Banco Hipotecario s financial results if the U.S. Dollar were to depreciate against the Peso and/or the Euro. We cannot assure you that the U.S. Dollar will not appreciate against the Peso, or that we will not be adversely affected by Banco Hipotecario s exposure to risks of exchange rate fluctuations.

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

On December 23, 2001, the Argentine government declared the suspension of payments on most of its sovereign debt, which as of December 31, 2001, totaled approximately US$144.5 billion, a substantial portion of which was restructured by the issuance of new bonds in the middle of 2005. Banco Hipotecario has a significant exposure to the Argentine government s solvency. As of June 30, 2008, the net exposure of Banco Hipotecario to the Argentine public sector, without considering liquid assets in accounts opened at the BCRA, amounts to Ps.2,526,723. The market value of Boden and other government securities as of December 15, 2008, decreased by approximately Ps.877.1 million compared to its market value as of June 30, 2008. Further, defaults by the Argentine government on its debt obligations, including Boden and other government securities held by Banco Hipotecario, would materially and adversely affects its financial condition which would in turn affect IRSA s investment.

The market value of lower-case and other government securities as of October 31, 2008, decreased by approximately Ps.1.029 million compared to its market value as of June 30, 2008.

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

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

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

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

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

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

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

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

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

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

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

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

- unforeseen difficulties in integrating operations and systems;
- problems assimilating or retaining the employees of acquired businesses;
- challenges retaining customers of acquired businesses;
- unexpected liabilities or contingencies relating to the acquired businesses; and
- the possibility that management may be distracted from day-to-day business concerns by integration activities and related problem solving.

Risks Related to Our ADSs and Common Shares

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

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

The ADSs are freely transferable under US securities laws, including shares sold to our affiliates. Inversiones Financieras del Sur S.A., which as of November 30, 2008, owned approximately 32.5% of our common shares (or approximately 163,184,378 common shares which may be exchanged for an aggregate of 16,318,438), is free to dispose of any or all of its common shares or ADSs at any time in its discretion. Sales of a large number of our common shares and/or ADSs would likely have an adverse effect on the market price of our common shares and the ADS.

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

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

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

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

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

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

Based on the current composition of our income and the valuation of our assets, including goodwill, we do not believe we were a passive foreign investment company (PFIC) for United States federal income tax purposes for the taxable year ending June 30, 2008. The determination of whether we are a PFIC is made annually. Accordingly, it is possible that we may be a PFIC in the current or any future taxable year due to changes in our asset or income composition. The volatility and instability of Argentina s economic and financial system may substantially affect the composition of our income and assets. Specifically, for any taxable year we will be classified as a PFIC for United States tax purposes if either (i) 75% or more of our gross income in that taxable year is passive income or (ii) the average percentage of our assets by value in a taxable year which produce or are held for the production of passive income is at least 50%. If we own at least 25% by value of the stock of another corporation, we will be treated, for purposes of the PFIC tests, as owning our proportionate share of that other corporation s assets and receiving our proportionate share of its income. If we become a PFIC, U.S. holders of our equity securities will be subject to certain United States federal income tax rules that have negative consequences for U.S. holders such as additional tax and an interest charge upon certain distributions by us or upon a sale or other disposition of our equity securities at a gain, as well as additional reporting requirements. See Taxation Certain United States Federal Income Tax Consequences Passive Foreign Investment Company for a more detailed discussion of the consequences if we are deemed a PFIC. You should consult your own tax advisors regarding the application of the PFIC rules to your particular circumstances.

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

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

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

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

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

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

Our ability to pay dividens is limited by law.

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

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

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

Risks Related to IRSA s Global Depositary Shares and the Shares

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

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

The GDSs are freely transferable under US securities laws, including shares sold to IRSA s affiliates. Our company, which as of November 30, 2008, owned approximately 54.0% of IRSA s common shares (or approximately 312,529,443 common shares which may be exchanged for an aggregate of 31,252,944 GDSs), is free to dispose of any or all of our common shares or GDSs at any time in our discretion. Sales of a large number of IRSA s common shares and/or GDSs would likely have an adverse effect on the market price of IRSA s common shares and the GDS.

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

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

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

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

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

If IRSA is considered to be a passive foreign investment company for United States federal income tax purposes, U.S. holders of IRSA s equity securities would suffer negative consequences.

Based on the current and projected composition of IRSA s income and the valuation of their assets, including goodwill, IRSA do not believe they were a passive foreign investment company (PFIC) for United States federal income tax purposes for the taxable year ending June 30, 2008, and IRSA do not currently expect to become a PFIC, although there can be no assurance in this regard. The determination of whether IRSA is a PFIC is made annually. Accordingly, it is possible that IRSA may be a PFIC in the current or any future taxable year due to changes in their asset or income composition or if their projections are not accurate. The volatility and instability of Argentina s economic and financial system may substantially affect the composition of IRSA s income and assets and the accuracy of their projections. If IRSA becomes a PFIC, U.S. holders of IRSA s equity securities will be subject to certain United States federal income tax rules that have negative consequences for U.S. holders such as additional tax and an interest charge upon certain distributions by IRSA or upon a sale or other disposition of IRSA s equity securities at a gain, as well as additional reporting requirements.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Item 4. Information on the Company

A. HISTORY AND DEVELOPMENT OF THE COMPANY

General Information

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

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

History

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

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

As of June 30, 2008 we own approximately 42.13% of the common shares of IRSA, one of Argentina s largest real estate companies. IRSA is engaged in a range of diversified real estate activities including residential properties, office buildings, shopping centers, credit cards and luxury hotels in Argentina. A majority of our directors are also directors of IRSA. At June 30, 2008, our investment in IRSA represented approximately 35.1% of our total consolidated assets. During the fiscal year ended June 30, 2008, our gain from our investment in IRSA was Ps.31.5 million.

On September 25, 2007, we converted US$12.0 million of IRSA s convertible notes into 22.0 million of IRSA s common shares. From July 30, 2007 to November 14, 2007 we exercised 33.0 million of warrants to acquire an additional 60.5 million common share of IRSA for a total cost of approximately US$40.0 million. The term for the exercise of IRSA s outstanding warrants and the conversion of IRSA s outstanding convertible notes issued on November 21, 2002 expired on November 14, 2007.

From 2000 to June 30, 2008, we invested approximately Ps.622.6 million to acquire approximately 42.13% of the outstanding common shares of IRSA, one of Argentina s largest real estate companies.

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From July 1, 2008 to December 17, 2008 we acquired 68,712,005 additional shares of IRSA on the open market for US$ 47,423,279. Thus, our direct and indirect interest in IRSA through our affiliates amounts to 54.01%. Therefore we consolidate IRSA as of that date.

Business acquisitions

Year Ended June 30, 2008

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

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

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

Year Ended June 30, 2007

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

Year Ended June 30, 2006

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

Formation of Companies

Year Ended June 30, 2008

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

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

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

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Year Ended June 30, 2007

On January 11, 2007, Cactus acquired 100% of the Exportaciones Agroindustriales Argentinas S.A. (EAASA) shares for Ps.16.8 million. EAASA owns a meat packing plant in Santa Rosa, Province of La Pampa, with capacity to slaughter and process approximately 9,500 heads of cattle per month.

Year Ended June 30, 2006

On December 27, 2005, we acquired 100% of the shares of Agropecuaria Cervera S.A. (Agropecuaria Cervera), whose main asset is the concession for the start-up of production pertaining to a comprehensive biological, economic and social development project over various properties located in Anta, Province of Salta, and which is duly authorized to implement a large-scale project covering agricultural, cattle breeding and forestry activities. The concession agreement covers an area of 162,000 hectares for a 35-year period with an option to extend it for an additional 29-year period. However, an area of approximately 30,000 hectares are not usable for these purposes. In the framework of the concession, there is a development project aimed at applying 35,000 hectares to agricultural use, and 55,000 hectares to livestock activities. These projects have been approved by the Secretary of Environment and Sustainable Development of the Province of Salta. We surrendered 3.6 million convertible notes of IRSA and paid Ps.3.17 million in cash for the acquisition of the concession. During the fiscal year ended June 30, 2008, Agropecuaria Cervera commenced its land development activities, and it had 3,811 hectares devoted to its own production and 5,132 hectares leased to third parties as of June 30, 2008.

Land development is expected to continue in the form of a project consisting of a total of 35,000 hectares which has been approved by the Secretariat of Environment and Sustainable Development of the Province of Salta.

On July 2, 2008, Agropecuaria Cervera and the government of the Province of Salta executed a memorandum of understanding renegotiating the concession agreements for the northern and southern areas of the real estate property. The agreements establish that the concessionaire should pay as a concession fee the amount in US Dollars equivalent to a quintal of soybean per harvested hectare of any crop in the northern and southern areas per year. The concession fee is required to be paid on July 1 of each year starting in 2009. For the purposes of determining the concession fee, 2,000 hectares in the southern area rented out to Compañía Argentina de Granos are excluded. Additionaly, Agropecuaria Cervera committed to return the 30,000 hectares originally considered as not usable for agricultural purposes under the concession. On August 29, 2008, the Memorandum of Understanding was approved by Decree No. 3,766 of the Executive Power of the Province of Salta.

In March 2006, we and other parties founded BrasilAgro for the purpose of expanding our business to Brazil. We contributed cash in the amount of Ps.63.1 million in exchange for shares and 104,902 warrants to purchase additional shares. Our equity interest in BrasilAgro was 7.3%. BrasilAgro s shares went public in the Brazilian Stock Exchange (Bovespa) in May 2006. Warrants vest in one-thirds starting May 2, 2007 and are exercisable for a period of up to 15 years at an exercise price equivalent to the initial public offering price adjusted by the Brazilian IPCA inflation index. As of June 30, 2008 we had increased our interest in BrasilAgro to 14.4%. Should we decide to exercise the warrants stated about, we might increase our equity interest to 19.7% of BrasilAgro s fully diluted capital stock. Also, an additional 104,902 warrants were issued which can only be exercised, at our option, in the event of a tender offer. These warrants are exercisable through the year 2021 at an exercise price equivalent to the purchase price of the tender offer by the acquirer of BrasilAgro.

Farm Sales

Year Ended June 30, 2008

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

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

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Year Ended June 30, 2007

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

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

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

On August 28, 2006, IGSA signed a preliminary sale contract of 1,829 hectares of the establishment called El Recreo of its property, in the amount of US$0.36 million. On July 24, 2008, the sales deed was executed and we received US$ 0.12 million and the balance of US$ 0.24 million to be paid in two annual and consecutive installments plus interest equivalent to the Libor rate plus 3%.

Year Ended June 30, 2006

On July 25, 2005 we sold El Gualicho farm, covering 5,727 hectares, located in the Province of Córdoba, for a total sales price of US$ 5.7 million. We collected US$ 2.9 million and expect to collect the balance in five equal annual installments through July 2010.

Capital Expenditures

Capital expenditures totaled Ps.28.0 million, Ps.29.3 million and Ps.55.8 million for the fiscal years ended June 2008, 2007 and 2006, respectively, including property and equipment acquired in business combinations. Our capital expenditures consisted of the acquisition and improvement of productive agricultural assets, as well as purchases of farms.

From July 1, 2008 to November 30, 2008, our main investments consisted of Ps.29.9 million in the acquisition of real estate (including Ps.27.4 million as payment for the preliminary purchase agreements involving an aggregate surface area of 12,166 hectares in the Republic of Bolivia, Ps.2.2 million as payment for the purchase of 10.910 hectares of Estancia Carmen farm and Ps.0.3 million as a preliminary purchase agreement for a 50% interest in 41,931 hectares in Paraguay owned by Carlos Casado S.A.), Ps.18.4 million for construction in progress (including Ps.13.4 million in development of land reserve, Ps.2.7 million in roads, improvement in the main house and dairy facilities, Ps.1.4 million in watering troughs and Ps.0.9 million in wire fences), Ps.1.0 million in new pastures, Ps.0.7 million in vehicles, Ps.0.5 million in machinery and Ps.0.1 million in improvements. Our future capital expenditures for the rest of fiscal year 2009 will depend on the prevailing prices of land for agriculture and cattle as well as the evolution of commodity prices. Regarding the Capital Expenditures for the rest of fiscal year 2009, they could vary according to the potential events described in our Risk Factor section.

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

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extractions), Ps.0.8 million in machinery, Ps.0.4 million in computer and communication accessories, Ps.1.5 million in construction, Ps.0.1 million in furniture and stationery and Ps.0.1 million in new pastures.

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

For the fiscal year ended June 30, 2006, our main investments consisted of Ps.49.2 million in the acquisition of real estate (including Ps.39.3 million as partial payment for the purchase of San Pedro farm, Ps.9.7 million in development of land reserve and Ps.0.2 million in forestry activities), Ps.0.6 million in improvements, Ps.0.1 million in furniture and equipment, Ps.1.2 million in facilities (including Ps.0.8 million in general machinery and Ps.0.4 million in milking facility), Ps.1.3 million in new pastures, Ps.0.9 million in vehicles, Ps.0.2 million in construction, Ps.1.13 million in machinery (including Ps.0.8 million in general machinery and Ps.0.3 million in milking machinery), Ps.0.3 million in computer and communication accessories, Ps.0.9 million in construction in progress, Ps.0.1 million in feed lot and Ps.0.7 million in advances.

Recent Developments

Impact of Recent Credit Crisis. During recent months, the world s principal financial markets have suffered the impact of volatility, lack of liquidity, and uncertainty. Consequently, stock market indexes showed a significant decline worldwide as a result of an evident economic slowdown. Although many countries took immediate action, the future of the international financial markets is uncertain, we do not yet know the direct effects of the crisis on the market value of major financial assets, particularly equity and debt instruments.

In Argentina, stock markets also showed a pronounced downward trend in the price of equity and debt instruments. We also saw increases in interest rates, country risk and foreign exchange rates and decreases in commodity prices. As of the date of this annual report, these effects persist. Management is closely evaluating and monitoring the effects of the current liquidity crisis and will take all corrective actions that are necessary.

In addition, we and our subsidiaries have experienced declines in our respective stock prices during the three months ended September 30, 2008 as compared to the prior quarter. Management believes that this decline is reflective of the current macro-economic conditions and is not related to our operating performance. Even though commodity prices have declined significantly, our operating performance has not been significantly affected by the current credit crisis as of the date of this annual report. Also, the market value of our farmland properties has not been significantly affected as of the date of this annual report. We believe that the stock prices have declined due to reasons unrelated to our business fundamentals. As of the date of this annual report, management believes that these declines in stock prices are temporary.

Furthermore, we had a 42.13% equity interest in IRSA as of June 30, 2008 and carried this investment under the equity method of accounting. In December 17, 2008, we increased our equity interest in IRSA to 54.01 % therefore we consolidate IRSA as from that date. IRSA, in turn, has an equity investment in BHSA, thus, our indirect investment in Banco Hipotecario is 4.95 % as of June 30, 2008 and 6.35% as of the date of this annual report. Banco Hipotecario recorded losses of Ps. 91.0 million for the year ended June 30, 2008. Moreover, for the three months ended September 30, 2008, BHSA recorded losses of Ps. 239.6 million and continued experiencing losses for the months of October and November of 2008. Such losses are primarily due to the decline in the market value of the Argentine government bonds Banco Hipotecario received as compensation and held in its portfolio. In spite of these losses, Banco Hipotecario remains well-capitalized incompliance with regulatory guidelines as of June 30, 2008 and thereafter.

Banco Hipotecario also experienced a significant decline in its stock price during the year ended June 30, 2008 and the three months ended September 30, 2008. Management believes that this decline is not reflective of the current operating performance of Banco Hipotecario.

We considered several factors including, but not limited to, the following (1) the reasons for the decline in value (whether it is credit event, interest or market related); (2) our ability and intent to hold the equity investment for a sufficient period of time to allow for recovery of value; (3) whether the decline is substantial for us; (4) the historical and anticipated duration of the events causing the decline in value and (5) the major fundamentals underlying our business. The evaluation of other-than-temporary impairments is a quantitative and qualitative process, which is subject to various risks and uncertainties. As of the date of this annual report, management believes that these declines are temporary and will continue to monitor market conditions and determine if any impairment to the carrying value of the investment is necessary.

In addition, one of the business segments of IRSA has been affected by the current credit crisis. The Consumer Financing segment includes the origination of consumer loans and credit card receivables and securitization activities.

Consumer loan and credit card receivables arise primarily under open-end revolving credit accounts used to finance purchases of goods and services offered by shopping centers, hypermarkets and street stores, and financing and lending activities through IRSA s indirect subsidiary Tarshop. IRSA s investment in Tarshop is held through IRSA s investment in Alto Palermo. These accounts have various billing and payment structures, including varying minimum payment levels and finance charge rates. Tarshop provides an allowance for uncollectible accounts based on impaired accounts, historical charge-off patterns and management s judgment.

Due to the current credit crisis and other conditions, some customers experienced delays in payments and delinquency rates increased during the year ended June 30, 2008. Moreover, delinquency rates further increased as of September 30, 2008 and thereafter. Tarshop has increased the level of the allowance for doubtful accounts which amounts to Ps. 66.5 million as of June 30, 2008. The allowance for doubtful accounts was increased to Ps. 83.7 million as of September 30, 2008. Tarshop is closely monitoring the delays, delinquency and uncollectibility rates.

Tarshop s generated a net loss of Ps. 18.6 million for the year ended June 30, 2008. For the three months ended September 30, 2008, Tarshop generated an additional net loss of Ps. 57.1 million. After year-end, Alto Palermo contributed an additional Ps. 60.0 million and increased its interest from 80.0% to 93.4% as of November 30, 2008. Alto Palermo has committed to support Tarshop financially under a credit line up to a maximum amount of Ps. 120.0 million, including the Ps. 86.0 million already contributed. At present, we are evaluating the suitability of capitalizing this loan. Alto Palermo has taken several actions to enhance Tarshop s capital base, from streamlining operations to closing redundant stores, to revising and making credit criteria more stringent. The securitization market is still open and Tarshop completed securitization programs during the recent months with no disruptions. As of June 30, 2008, Tarshop s credit risk exposure is contractually limited to the subordinated retained interests representing Ps. 156.8 million and Ps. 19.4 million escrow reserves for losses. Due to the factors mentioned above, as of June 30, 2008, Tarshop has recorded an other-than-temporary impairment charge of Ps. 12.0 million to the retained interests to reflect current fair value. As of September 30, 2008, Tarshop s credit risk exposure is contractually limited to the subordinated retained interests representing Ps. 161.2 million and Ps. 17.9 million escrow reserves for losses. For the three months ended September 30, 2008, no additional impairment charge of related to the retained interests in securitized receivables was necessary.

We have a 14.39% equity investment in Brasilagro as of June 30, 2008 and carried this investment under the equity method of accounting. Brasilagro also experienced a significant decline in its stock price during the year ended June 30, 2008 and the three months ended September 30, 2008. Management believes that this decline is not reflective of the current operating performance of Brasilagro. In addition, the current market value of Brasilagro farmland properties has not been significantly affected. As indicated above, the evaluation for other-than-temporary impairments is a quantitative and qualitative process, which is subject to various risks and

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uncertainties. We considered similar factors, as discussed above, including, but not limited to, the following (1) the reasons for the decline in value (whether it is credit event, interest or market related); (2) our ability and intent to hold the equity investment for a sufficient period of time to allow for recovery of value; (3) whether the decline is substantial for us; (4) the historical and anticipated duration of the events causing the decline in value, and (5) the fundamentals underlying our business. At this point, management believes that these declines are temporary and will continue to monitor market conditions and determine if any impairment to the carrying value of the investment is necessary.

Exercise of warrants. During the first quarter of fiscal year 2009, certain holders of warrants exercised their right to purchase additional shares. Consequently, we issued an aggregate of 4,416 common shares of Ps.1.0 nominal value each, and 13,250 warrants were cancelled. We received Ps.23,002 as proceeds from these transactions. As of November 30, 2008, the amount of outstanding warrants was 177.7 million, whereas the capital stock consisted of 501,536,281 common shares.

Repurchase of shares. On August 26, 2008, our Board of Directors decided to establish the terms of the share repurchase plan under the provisions of Section 68 of Law 17,811 (added by Decree number 677/2001) and the Rules of the *Comisión Nacional de Valores*, in order to help reduce the price volatility of such shares. The terms and conditions of our repurchase plan were: (i) up to Ps.30,000,000, (ii) maximum of 10,000,000 shares to be acquired in the form of shares or ADS, (iii) a payable price between a minimum Ps.3 and up to Ps.3.5 per share, and (iv) a term of the acquisition for 70 days.

Subsequently, there were amendments to the terms and conditions as follows:

- On October 8, 2008, we established a minimum payable price of Ps.2.40.

- On October 10, 2008, we established a minimum payable price of Ps.2.13.

- On October 23, 2008, we established a minimum payable price of Ps.1. On that same date, the *Comisión Nacional de Valores* resolved to temporarily suspend the validity of the cap established in subsection e) of Section 11, Chapter I Shares and other Negotiable Instruments, which provided that the treasury stock of a Company could not exceed 10% of its capital stock.

- On October 24, 2008, we established a maximum of 30,000,000 shares to be acquired.

- On November 4, 2008, we decided to extend the term of the acquisition for 70 additional days.

- On November 25, 2008, we ratified that the total amount of investment is Ps.82,000,000.

As of December 17, 2008, we had acquired a total of 21,026,719 of our own shares, representing 4.19% of our own share capital on a fully diluted basis.

Settlement of payable to Crédit Suisse International. On October 24, 2008, we repaid the outstanding balance of US$8.0 million to Crédit Suisse International for our loan dated May 2, 2006. At the same time, we received from Crédit Suisse International 1,834,860 GDR s of IRSA, which constituted the security for the previously mentioned transaction.

International Expansion. Following our international expansion strategy, we have entered into a series of agreements aimed at strengthening our position in the South American region. In July 2008, we executed various preliminary purchase agreements involving an aggregate surface area of 12,166 hectares in the Republic of Bolivia for a total of US$ 28.9 million. These transactions include:

- Preliminary purchase agreement for 4,566 hectares of the Las Londras farm located in the Province of Guarayos. The agreed price was US$ 11.4 million.

Preliminary purchase agreement for 883 and 2,969 hectares of the San Cayetano and San Rafael farms, respectively, located in the Province of Guarayos. The agreed price was US$ 8.9 million.

Preliminary purchase agreement for 3,748 hectares of the La Fon Fon farm located in the Province of Obispo Santiesteban. The agreed price was US$ 8.6 million.

On November 20, 2008, we agreed to buy approximately 7,600 hectares of the San Cayetano , San Rafael and La Fon Fon farms located in Santa Cruz, Bolivia. We paid a 43% first installment on the U$S 17.5 million purchase price, and the remainder will be paid in two annual payments.

In September 2008, we entered into several agreements to carry out real estate and agricultural, livestock and forestry activities in the Republic of Paraguay. Under these agreements, a new corporation was organized with Carlos Casado S.A., in which we hold a 50% interest and act as adviser for the agricultural, livestock and forestry development of a rural property and of a potential area of up to 100,000 hectares located in Paraguay. In addition, we have executed a preliminary purchase agreement for a 50% interest in 41,931 hectares in Paraguay owned by Carlos Casado S.A. for US$ 5.2 million.

Agropecuaria Cervera S.A. On July 2, 2008, Agropecuaria Cervera and the government of the Province of Salta executed a memorandum of understanding renegotiating the concession agreements for the northern and southern areas of the real estate property. The agreements establish that the concessionaire should pay as a concession fee the amount in US Dollars equivalent to a quintal of soybean per harvested hectare of any crop in the northern and southern areas per year. The concession fee is required to be paid on July 1 of each year starting in 2009. For the purposes of determining the concession fee, 2,000 hectares in the southern area rented out to Compañía Argentina de Granos are excluded. Additionaly, Agropecuaria Cervera committed to return the 30,000 hectares originally considered as not usable for agricultural purposes under the concession. On August 29, 2008, the Memorandum of Understanding was approved by Decree No. 3,766 of the Executive Power of the Province of Salta.

Acquisition of IRSA s shares and consolidation of financial statements. From July 1, 2008 to December 17, 2008 we acquired 68,712,005 additional shares of IRSA on the open market for US$ 47,423,279. Thus, our direct and indirect interest in IRSA through our affiliates amounts to 54.01%. Therefore we consolidate IRSA as of that date.

Purchase of IRSA and APSA Notes. As of November 25, 2008, we had acquired nominal value U$S25.21 million of IRSA s 8.500% Series No. 1 Notes due 2017, for an average weighted price of US$0.4844952 per Note, totaling US$12.21 million.

As of the same date, we also acquired nominal value U$S5.00 million of Alto Palermo S.A. (APSA) s 7.875% Series No.1 Notes due 2017, for an average weighted price of US$0.4185 per Note, totaling US$2.09 million.

Partial sale of El Recreo farm In July 2008 we sold two parcels of land in El Recreo farm (1,829 hectares) located in the Province of Catamarca for a price of US$0.36 million.

Purchase of the Estancia Carmen farm. In September 2008 we purchased 10,910 hectares of the Estancia Carmen farm, located in the Province of Santa Cruz, adjacent to our 8 de Julio farm for a price of US$ 0.7 million.

Partial sale of Los Pozos farm. After the closing of the fiscal year ended June 30, 2008, we executed a preliminary sales agreement without transfer of possession for 1,658 hectares of the Los Pozos establishment located in the Province of Salta. The agreed sales price was US$0.5 million, of which US$ 0.3 million have been already paid. The balance is payable upon execution of the title deed, scheduled for April 1, 2009.

Luján. In May 2008, Cresud entered into a preliminary purchase contract with transfer of possession with Birafriends S.A. (an unrelated party) for the acquisition of a plot of land in Luján, Province of Buenos Aires, for a total purchase price of US$ 3.0 million. Cresud paid US$ 1.2 million and the remaining balance will be paid at the time of the signing of the deed. On December 2008, IRSA assigned us the preliminary purchase contract. We will pay the remaining balance at the time of the signing of the deed, and will also refund IRSA the amount IRSA paid at the time of the signing of the preliminary purchase.

Acquisition of ownership interest. On July 2, 2008, IRSA acquired a 30% interest in Metropolitan 885 Third Avenue LLC (Metropolitan), a limited liability company organized under the laws of Delaware, United States of America. The main asset of Metropolitan is a 34 story building known as the Lipstick Building located at third avenue between 53rd and 54th streets in Manhattan, New York City. In addition to this asset, the acquired company also includes the debt related to this building. The purchase price paid was US$ 22.6 million. The property has approximately 59,000 square meters of leasable space. Also, IRSA acquired the right (put right) to sell the 50% of our stake in a period starting 6 months after this transaction until the third year anniversary of this transaction. Additionally, IRSA acquired the right of first offer for 60% of the 5% currently held by of one of the shareholders of Metropolitan.

Coto Air Space Barter commitment between Alto Palermo and CYRSA. In July, 2008 Alto Palermo entered into a barter agreement with CYRSA pursuant to which Alto Palermo, subject to certain closing conditions, would surrender to CYRSA its right to construct a tower over a preexisting structure (owned by a third party) in exchange for a small cash payment (US$0.09 million) and 25% of the housing units in the future buildings. The total fair value of the transaction is US$ 5.9 million.

Dique IV, Puerto Madero. IRSA s current portfolio of projects includes the addition of 11,000 square meters of leasable area in Dique IV in Puerto Madero, currently under construction and entailing a total projected investment of approximately Ps.50.5 million. Completion is scheduled for the beginning of calendar year 2009.

Torres Renoir, Dock III. On November 24, 2008, the Decree of Co-Ownership and Administration of the Renoir building developed on plot 1.c. was granted. The first lien mortgages established by DYPSA on plot 1.c and on plot 1.e were cancelled, and a new first lien mortgage was established on the functional units to be delivered to IRSA and on an additional functional unit. On the same date, DYPSA began the process of registration of the deeds of the units to be delivered to IRSA as consideration in kind for the sale of the plot. We believe the deeds will be granted to IRSA or its assignees within 45 days.

Tarshop. As a result of the current international financial scenario, a high volatility has been observed in interest rates and systemic delinquency has increased, affecting the performance and financing of the consumer finance business. The higher delinquency levels have led to an increase in the subordination of financial trusts which, added to the changes in their tax treatment, the higher interest rates resulting from higher risk and a slight deceleration in private consumption, have resulted in the need to review the general economic and the business specific prospects.

In order to face the growing volatility in the international financial markets and to provide Tarshop S.A. with a suitable capital base taking into account the current market conditions, in September 2008 Alto Palermo decided to take part in Tarshop S.A. s capital increase for up to Ps.60 million, and increased its equity interest in Tarshop S.A. from 80% to 93.4%.

In addition, Alto Palermo implemented several actions aimed at improving Tarshop S.A. s performance, including the revision of the point of sale structure, a 17% headcount reduction, the closing of 13 points of sale and a 10% reduction in leased centralized areas.

In line with the commercial actions, various other measures have been implemented, including:

(i) A new distribution channel structure.

(ii) Changes in cash lending plans and shops financing, which involved tightening its credit origination and credit limits in order to improve our delinquency rates.

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(iii) Renegotiation of conditions with shops.

In addition, the recent changes introduced in the tax treatment of financial trusts and other reforms made by the National Executive Branch result in the need to monitor Tarshop S.A. and fine-tune its positioning strategy to gear with the changing conditions.

On October 2008 in the light of the difficult market conditions and in compliance with the strategic plan devised and implemented by Alto Palermo, subordinated loans were granted to Tarshop S.A. for a total amount of Ps. 51 million to improve its financial position given the particular moment by which the financial trust segment is going through, that is a source in Tarshop s financing.

On November 25, 2008, Alto Palermo completed a disbursement of Ps. 35 million to Tarshop S.A. This disbursement was subject to the revision and verification of the debt portfolio of Tarshop S.A. by Alto Palermo s Management and the Board of Directors. The amount was part of a credit line of up to Ps. 120 million, Alto Palermo granted to Tarshop S.A. to strengthen it financially, to fund its operating costs and to reposition Tarshop S.A. given the complex situation existing temporarily in the Financial Trusts markets. Out of the credit line approved, as of November 25, 2008, Ps. 86 million were disbursed. At present, Alto Palermo is evaluating the suitability of capitalizing these loans.

Repurchase of Alto Palermo s Notes. On September 12, 2008 Alto Palermo announced the repurchase of its *Serie II Notes* for a face value of US$ 4.8 million. As a result, the amount of Alto Palermo s Notes in its portfolio had a face value of US$ 4.8 million. On November 25, 2008, Alto Palermo announced the repurchase of its *Fixed Rate Notes due 2017, Serie I* for a face value of US$ 5.00 million.

Irsa s purchases of Alto Palermo s Notes. On November 25, 2008, IRSA announced the acquisition of nominal value US$8.03 million of Alto Palermo s *Series I* Notes due 2017, for an average weighted price of US$0.39820 per Note and for a total amount of US$ 3.2 million

Torres Rosario Project. On November 27, 2008, Alto Palermo executed the deed of barter transfer, resulting from the execution of the option granted to Condominios del Alto S.A. to purchase parcel 2-h. This parcel represents 11,686 square meters. As consideration for its acquisition Condominios del Alto S.A. agreed to deliver forty two housing units, with a total constructed surface area of 3,182 square meters, representing 22% of the apartment of the building and 47 parking spaces, representing 22% of the parking of the building.

B. BUSINESS OVERVIEW

General

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

As of June 30, 2008, we owned 18 farms with approximately 443,532 hectares. Approximately 24,305 hectares of the land we own are used for crop production, approximately 91,040 hectares are for beef cattle production, 4,320 hectares are for milk production and approximately 3,335 hectares are leased to third parties for crop and beef cattle production. The remaining 385,573 hectares of land reserve are primarily natural woodlands. This includes approximately 162,000 hectares through our interest in Agropecuaria Cervera S.A., which has a

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concession of land for a 35-year period that can be extended for another 29 years. Also, during fiscal year 2008, we leased 29,942 hectares from third parties for crop production and 32,895 hectares for beef cattle production.

During the fiscal years ended June 30, 2006, 2007 and 2008, we had consolidated sales of Ps.112.3 million, Ps.110.3 million and Ps.162.6 million, production income of Ps.65.4 million, Ps.102.8 million and Ps.159.8 million and consolidated net income of Ps.32.9 million, Ps.49.4 million and Ps.22.9 million, respectively. During the three-year period from June 30, 2006 to June 30, 2008, our total consolidated assets increased 137.7% from Ps.870.7 million to Ps.2,069.8 million, and our consolidated net worth increased 181.6% from Ps.625.9 million to Ps.1,762.3 million.

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

	At June 30,		
	2006(1) (4)	**2007**(1)(4)(5)	**2008**(1)(4)(5)
		(in hectares)	
Crops(2)	41,283	53,579	63,900
Beef cattle	129,946	114,097	123,935
Milk	1,698	2,609	4,320
Sheep		90,000	90,000
Land reserves (3)	418,477	393,677	385,573
Owned farmlands leased to others	14,229	13,771	8,467
Total	605,633	667,733	674,195

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

(2) Includes wheat, corn, sunflower, soybean, sorghum and others.

(3) We use part of our land reserves to produce fence posts and rods.

(4) Includes approximately 162,000 hectares through our 99.99% interest in Agropecuaria Cervera S.A. which holds, among other assets and rights, the concession for the start-up of production pertaining to a comprehensive development project. See Organizational Structure Subsidiaries and Affiliated Companies.

(5) Includes 24.0% of approximately 170 hectares owned by Cactus Argentina S.A., an affiliated Argentine company in which we have a non-controlling 24.0% interest. See Organizational Structure Subsidiaries and Affiliated Companies.

We are also indirectly engaged in the Argentine real estate business through our subsidiary IRSA, one of Argentina s largest real estate companies. IRSA is engaged in a range of diversified real estate activities including residential properties, office buildings, shopping centers, and luxury hotels in Argentina. A majority of our directors are also directors of IRSA. As of June 30, 2008, Cresud held an interest of 42.13% in IRSA. At the closing of the fiscal year ended June 30, 2008, our investment in IRSA represented approximately 35.1% of our total consolidated assets, and during fiscal year 2008 our gain from our investment in IRSA was Ps.31.5 million.

In September 2005, we, together with certain Brazilian partners, founded BrasilAgro, a startup company organized to exploit opportunities in the Brazilian agricultural sector. In April 2006, BrasilAgro increased its capital through a global and domestic offering of common shares, and as of June 30, 2008, we owned 14.39% of the outstanding common shares of BrasilAgro. As of June 30, 2008, our investment in BrasilAgro represented approximately 8.3% of our total consolidated assets.

Strategy

We seek to maximize our return on assets and overall profitability by (i) identifying, acquiring and exploiting agricultural properties having attractive prospects for agricultural production and/or long-term value appreciation and selectively disposing of properties as appreciation is realized, (ii) optimizing the yields and productivity of our agricultural properties through the implementation of state-of-the-art technologies and agricultural techniques and (iii) preserving the value of our significant long-term investment in the urban real estate sector held through our affiliate IRSA.

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Focus on maximizing value of our agricultural real estate assets

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

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

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

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

International expansion. Although most of our properties are located in different areas of Argentina, we are pursuing various expansion opportunities 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, 2008, BrasilAgro had 7 properties totaling 145,327 hectares, purchased at attractive prices compared to the average prices prevailing in the respective regions, all of which we believe have significant appreciation potential. In addition, after the closing of the fiscal year ended June 30, 2008, we entered into several agreements to carry out our agribusiness activities in the Republic of Bolivia and in the Republic of Paraguay.

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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 Cactus Feeders and 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.

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

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

Leasing productive properties to supplement our expansion strategy, using our liquidity to make productive investments in our principal agricultural 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 productive properties in areas where agricultural production is not developed to its full potential. As of June 30, 2008, we owned 230,532 hectares of land reserves and held 153,041 hectares under concession, located in under-utilized areas where agricultural production is not yet fully developed. We believe that technological tools are available to improve the productivity of such land and enhance its long-term value. However, existing or future environmental regulations may prevent us from completely developing our land reserves, requiring us to maintain a portion of such land as unproductive land reserves.

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, extreme weather conditions and other factors affecting the agricultural 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.

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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.

Our Principal Business Activities

During the fiscal year ended June 30, 2008, we conducted our operations on 18 owned farms and 46 leased farms. Some of the farms we own are engaged in more than one productive activity at the same time. The following table sets forth, for the periods indicated, our production volumes by principal product line:

	Year ended June 30,		
	2006(1)	2007(1)	2008(1)
Crops (2)	106,867	175,455	198,146
Beef cattle (3)	9,803	9,913	8,786
Milk (4)	14,588	16,663	20,825

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

(2) Production measured in tons.

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

(4) Production measured in thousands of liters.

Crop Production

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

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

	Crop Production Year ended June 30,		
	2006(1)	2007(1)	2008(1)
		(in tons)	
Wheat	21,788	16,651	21,583
Corn	31,558	80,728	94,021
Sunflower	7,300	6,797	9,283
Soybeans	42,797	61,283	59,479
Other	3,424	9,996	13,781
Total	106,867	175,455	198,146

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

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The following table sets forth, for the periods indicated below, our owned and leased sown land for crop production:

	Sown Land for Crop Production (1) Year ended June 30,		
	2006(2)	2007(2)	2008(2)
		(in hectares)	
Owned	24,279	27,047	29,640
Leased	17,004	25,307	30,449
Under Concession		1,225	3,811
Total	41,283	53,579	63,900

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

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

As of June 30, 2008, our crop stocks consisted in 14,017 tons of wheat, 43,678 tons of corn, 44,566 tons of soybean, 4,839 tons of sorghum and 4,162 tons of sunflower; whereas as of June 30, 2007 such stocks consisted in 6,705 tons of wheat, 34,172 tons of corn, 27,890 tons of soybean, 2,203 tons of sorghum and 3,580 tons of sunflower. As of June 30, 2008, the surface of leased land was 48% of the total sown land.

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

Also, this strategy allows 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 leased land prices.

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

Wheat seeding takes place from June to September, 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 campaign. A major part of production, especially wheat and sunflower seeds, corn and sorghum is sold and delivered to buyers pursuant to agreements in which price conditions are fixed by reference to the market price at a specific time in the future that we determine. The rest of the production is either sold at current market prices or delivered to cover any futures contract that we may have entered into.

During fiscal year 2008, we invested approximately Ps 4.9 million in irrigation equipment, machinery and technology application through no till sowing.

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Beef Cattle Production

Our beef cattle production involves the breeding and fattening of our own animals. In some cases, if market conditions are favorable, we also purchase and fatten cattle which we sell to slaughterhouses and supermarkets. As part of our strategy to expand our activities within the beef cattle production chain, during 2003 we started to slaughter our own cattle after obtaining the needed licenses. As of June 2008, our beef cattle aggregated 80,358 heads, and we had a total surface area of 90,999 hectares dedicated to this business activity.

During the fiscal year ended June 30, 2008, our beef cattle activities generated sales of Ps.32.4 million, representing 19.9% of our consolidated sales, and our production was 8,786 tons, a decrease of 11.4% compared to the previous fiscal year. The decrease in production and sales volume was primarily due to the sale of the Tapenagá farm in June 2007 and the deconsolidation of Cactus Argentina S.A. due to the reduction in our interest in this company from 50% down to 24% during the fiscal year ended June 30, 2007.

In addition, the scarce rainfall in certain areas forced us to relocate livestock in some cases, which resulted in alterations to the cattle fattening process. In other cases, we had to sell cattle before the completion of the fattening process.

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

	Year ended June 30,		
	2006(1)	**2007**(1)	**2008**(1)
Beef cattle production (in tons)(2)	9,803	9,913	8,786

(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 its fattening activities apply to steer, heifers and calves. Breeding cows calve approximately once a year and their productive lifespan is from six to seven years. Six months after birth, calves are weaned and transferred to fattening pastures. Acquired cattle are 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 kilograms and 280 295 kilograms, respectively, depending on the breed.

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

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

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

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

	Year ended June 30,		
	2006(2)	**2007**(2)	**2008**(2)
Breeding(1)	63,015	62,181	57,999
Fattening	17,654	21,546	22,359
Total	80,669	83,727	80,358

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

(2) Does not include head of beef cattle from Agro-Uranga S.A. and Cactus. See Organizational Structure Subsidiaries and Affiliated Companies.

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

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

During the fiscal year 2008 we invested approximately Ps.6.8 million in equipment, machinery, pastures and genetic improvement in relation to cattle production.

Milk Production

We conduct our milk business in three dairy facilities in two farms, La Juanita and El Tigre . We have a total capacity of 3,300 cows in milking per day and seek to increase total production through the application of last generation technologies including genetic improve management for milk production, feeding strategic planification based on cattle specific requirement 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 developing the information created from the farms.

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 being days fed on the basis of grass, grains and supplements. Young heifers then graze for an additional 12 to 15 month period, prior to artificial insemination at the age of 18 to 20 months and they calve nine

months later. Heifers are subsequently milked for an average of 300 days. Milking dairy cows are once again inseminated during the 60 to 90 day period following. This process is repeated once a year during six or seven years. The pregnancy rate for our dairy cows is 80-90%.Our dairy herd is milked mechanically twice a day. The milk obtained is cooled to less than five degrees centigrade and is then stored in a tank for delivery once a day to trucks sent by buyers. Dairy cows are fed mainly with grass, supplemented as needed with grains, hay and silage. For winter grazing, corn stubbles are also used.

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

During fiscal year ended June 30, 2008, milk production was 25.0% higher than in the prior fiscal year because of an increase in the quantity of dairy cows and their individual production. In our farm named El Tigre we milk 2,000 cows per day, with a merry-go-round structure, which required a significant investment of Ps.3.9 million. We believe this is one of the largest dairy farms in Argentina.

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

	Year Ended June 30,		
	2006(1) (2)	**2007**(1) (2)	**2008**(1) (2)
Average milking cows	2,410	2,677	3,174
Daily production (liters per cow)	16.5	17.1	18.0
Total production (thousands of liters)	14,588	16,663	20,825

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

(2) Includes production of new dairy farm El Tigre, as from March 1, 2005.

During fiscal year 2006, we had 6,214 total heads of cattle on 1,505 hectares involved in the production of milk. During fiscal year 2007, we had 6,507 total heads of cattle on 2,376 hectares involved in the production of milk. As of June 30, 2008 we applied 7,866 total heads of cattle on 4,092 hectares to milk production.

During fiscal year 2008, we invested an approximate amount of Ps.0.6 million in equipment, machinery and survey, pastures and development for our milk rodeo.

Land Acquisitions

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

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

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

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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 to 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 to create potential for capital appreciation.

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

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

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

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

Fiscal year ended June 30	**Number of farmlands acquired**	**Amount of acquisitions (Ps. millions)**
1997 (1)	2	10.2
1998 (2)	8	31.5
1999		
2000		
2001		
2002		
2003(3)	1	25.0
2004		
2005 (4)	2	9.3
2006 (5)	1	45.9
2007 (6)	1	7.3
2008 (7)	2	4.5

(1) Includes the acquisition of San Luis and La Sofia farms of 706 hectares and 4,926 hectares, respectively.

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

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(3) Includes the acquisition of El Tigre farm of 8,360 hectares.

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

(5) Includes the acquisition of San Pedro farm of 6,022 hectares.

(6) Includes the acquisition of 8 de Julio farm of 90,000 hectares.

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

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 periods indicated below, certain information concerning our land sales:

Fiscal year	Number of farmlands	Gross proceeds from sales (Ps. million)	Profit /(Loss) [1] (Ps. million)
1997(2)	1	2.6	1.0
1998(3)	1	6.8	4.1
1999(4)	2	27.8	9.4
2000			
2001(5)	2	9.0	3.0
2002(6)	3	40.6	14.8
2003(7)	2	12.0	4.9
2004(8)	2	4.1	1.7
2005(9)	2	29.8	20.0
2006(10)	1	16.1	9.9
2007(11)	3	29.9	22.3
2008(12)	2	23.1	20.0

(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 the Siete Arboles farm of 7,975 hectares.

(3) Includes the sale of 7,878 hectares of the Moroti and Santa Rita farms.

(4) Includes the sale of the El Meridiano and Runciman farms of 6,302 and 3,128 hectares, respectively.

(5) Includes the sale of the El Bañadito and Tourne farms of 1,789 and 19,614 hectares, respectively.

(6) Includes the sale of the El Silencio , La Sofia and El Coro farms of 397 hectares, 6,149 hectares and 10,321 hectares, respectively.

(7) Includes the sale of the Los Maizales and San Luis farms of 618 and 706 hectares, respectively.

(8) Includes the sale of the 41-42 farm of 6,478 hectares and 5,997 hectares of IGSA s land reserves.

(9) Includes the sale of the 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.

(10) Includes the sale of the El Gualicho farm, of 5,727 hectares.

(11) Includes the sale of 20,833 hectares of the Tapenagá farm and the partial sale of 14,516 hectares of Los Pozos farm and 50 hectares of the El Recreo farm.

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

On May 30, 2008, we agreed to sell to Estancias San Bruno S.A. and Estancias El Algarrobo S.A. a 2,430 hectare parcel of the La Esmeralda farm in the Province of Santa Fe. Although we granted possession of the property on the date of execution of the sale agreement, the sale excludes rights to the production of the currently sown land which we retained. The aggregate sale price was US$ 6.2 million, which has been fully collected.

On October 22, 2007, we signed the deed of sale for 4,974 hectares of the Los Pozos farm located in the Province of Salta, for a price of US$ 1.1 million, which has been fully collected.

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

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

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

On August 28, 2006, IGSA signed a preliminary sale contract of 1,829 hectares of the establishment called El Recreo of its property, in the amount of US$0.36 million. On July 24, 2008, the sales deed was executed and this time we received US$ 0.12 million and the balance of US$ 0.24 million to be paid in two annual installments plus interest equivalent to the Libor rate plus 3%.

Farms

As of June 30, 2008, we owned, together with our subsidiaries, 18 farms, with a total surface area of 443,532 hectares.

The following table sets forth our farm portfolio as of June 30, 2008:

	Owned Farms at June 30, 2008			
	Province	**Gross Size (in hectares)**	**Date of Acquisition**	**Primary Current Use**
La Adela	Buenos Aires	1,054	Original	Crops
La Juanita	Buenos Aires	4,302	Jan. 96	Crops/Milk
San Pedro	Entre Ríos	6,022	Sep. 05	Crops/Beef Cattle
Las Vertientes	Córdoba	4		Silo
La Esmeralda	Santa Fe	9,370	Jun. 98	Crops/Beef Cattle
La Suiza	Chaco	41,993	Jun. 98	Beef Cattle
Santa Bárbara/Gramilla	San Luis	7,052	Nov. 97	Crops under irrigation
Cactus[1]	San Luis	41	Dec. 97	Feed lot
Tali Sumaj / El Recreo[2]	Catamarca	26,922	May. 95	Beef Cattle/Natural Woodlands
Los Pozos	Salta	242,516	May 95	Beef Cattle/Crops/ Natural Woodlands
El Invierno	La Pampa	1,946	Jun. 05	Crops
San Nicolás / Las Playas[3]	Sta.Fe/Cba	2,965	May. 97	Crops/Beef Cattle
El Tigre	La Pampa	8,365	Apr. 03	Crops/Milk
8 de Julio	Santa Cruz	90,000	May. 07	Sheep
La Esperanza	La Pampa	980	Mar. 08	Crops
Total		443,532		

(1) Hectares in proportion to our 24.0% interests in Cactus Argentina S.A.

(2) Hectares in proportion to our 99.99% interest in Inversiones Ganaderas S.A.

(3) Hectares in proportion to our 35.723% interest in Agro Uranga S.A.

La Adela. Located 60 kilometers northwest of Buenos Aires, La Adela is one of our original farms. In December 2001, La Adela s dairy facility was closed down. Its total surface area is used for agricultural purposes. During the fiscal year ended June 30, 2008, 1,026 hectares were used for wheat, corn and soybean crops for high-yielding grain production. Between March 2005 and December 2007 we bought an additional 72 hectares which were added to the existing 982 hectares.

La Juanita. La Juanita, located 440 kilometers southwest of Buenos Aires, was acquired in January 1996. As of June 30, 2008, 3,682 heads of cattle were grazing in 2,000 hectares of sown and natural pastures, and 1,926 hectares were used for crop production. This farm produced 10.0 million liters of milk during the fiscal year ended June 30, 2008, with an average of 1,627 dairy cows being milked and 17.0 liters per cow per day.

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

On August 28, 2006, IGSA signed a preliminary sale contract of 1,829 hectares of the establishment called El Recreo of its property, in the amount of US$0.36 million. On July 24, 2008, the sales deed was executed and this time we received US$ 0.12 million and the balance of US$ 0.24 million to be paid in two annual installments plus interest equivalent to the Libor rate plus 3%.

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

Tali Sumaj. The Tali Sumaj farm, located 1,000 kilometers northwest of Buenos Aires, in the province of Catamarca, was acquired in May 1995 and it is located in a semi-arid area. As of June 30, 2008, Tali Sumaj had 4,330 cattle head in approximately 10,280 hectares of natural pastures. The farm is divided into 16 lots with peripheral fencing and watering troughs with a reserve of 1,000,000 liters of water.

Los Pozos. The Los Pozos farm, located 1,600 kilometers northwest of Buenos Aires, in the Province of Salta, was acquired in May 1995. This property is located in a semi-arid area with average annual rainfall of 500 mm. The area is naturally suited to cattle raising and forestry activities (poles and charcoal), and it has agricultural potential for summer crops such as sorghum and corn, among others. For the fiscal year ended June 30, 2008, we used 1,506 hectares in agricultural production. We completed the development of tropical pastures in approximately 33,541 hectares. As of June 30, 2008, there were 48,216 heads of cattle in this farm. This farm has shown major growth through a complete cycle in the production of beef by succeeding in raising, re-raising and fattening steer to be sold at an average weight of 392 kg. On June 5, 2007 we signed the deed of sale of an area of 14,516 hectares of the Los Pozos farm. The agreed sale price was US$ 2.2 million, which we have received. On October 22, 2007, we signed a deed for the transfer of an additional 4,974 hectares of our Los Pozos farm. The aggregate sale price was US$ 1.1 million, which has been fully collected.

San Nicolás. The San Nicolás farm is a 4,005 hectares 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, 2008, approximately 6,212 hectares were in use for agricultural production, including double crops. The farm has two plants of silos with storage capacity of 14,950 tons.

Las Playas. The Las Playas farm has a surface area of 4,294 hectares and is owned by Agro-Uranga S.A. Located in the Province of Córdoba, it is used for agricultural and milk production purposes. As of June 30, 2008, the farm had 638 hectares of pasture used for milk production and a sown surface area, including double crops, of 5,716 hectares for grain production.

La Gramilla and Santa Bárbara. These farms have a surface area of 7,052 hectares in Valle del Conlara, in the Province of San Luis. Unlike other areas in the Province of San Luis, this valley has a high quality underground aquifer which makes these farms well suited for agricultural production after investments were made in the development of lands, pits and irrigation equipment. In the course of 2007/2008, a total of 1,806 hectares were sown, 587 hectares of which were sown under contractual arrangements with seed producers. We leased, in turn, 2,100 hectares to third parties. The remaining hectares are used as land reserves.

La Suiza. La Suiza 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, 2008, La Suiza had a stock of approximately 11,396 heads of cattle. The cattle stock dropped by 47% from the previous year due to a drought that intensified during the last months of the year, which led to the relocation of part of the cattle to the Los Pozos farm.

La Esmeralda. La Esmeralda 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 2007/2008 farm season, we used a total area of 3,779 hectares, including double crops, for production of corn, sunflower and sorghum. As of June 30, 2008, La Esmeralda had 6,138 heads of cattle on 6,292 hectares. Our objective is to enhance its cattle raising efficiency, the bull breeding business, and increase its surface area assigned to agriculture. On May 30, 2008, we agreed to sell to Estancias San Bruno S.A. and Estancias El Algarrobo S.A. a 2,430 hectare parcel of this farm. The aggregate sale price was US$ 6.2 million which has been collected in full.

El Tigre. El Tigre was acquired on April 30, 2003 and has a surface area of 8,365 hectares. It is located in Trenel in the Province of La Pampa. As of June 30, 2008, 5,938 hectares were assigned to crop production. This farm produced 10.7 million liters of milk in the fiscal year ended June 30, 2008, with an average of 1,547 cows being milked and an average daily production of 19.0 liters per cow.

El Invierno. El Invierno 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, 2008, we used the land exclusively for agricultural production.

San Pedro. The farm in San Pedro 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 the province of Buenos Aires. In the course of 2007/2008, 5,502 hectares were used for agricultural production, including double crops, and 1,245 hectares were leased to third parties for livestock activities.

8 de Julio. 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, we believe this farm has significant 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. As of June 30, 2008, this farm had a stock of 11,725 sheep.

Cactus. The Cactus farm is a 170-hectare farm owned by Cactus and is located in Villa Mercedes, province of San Luis. Cactus is a joint venture between us, Cactus Feeders Inc., one of the largest feed lot companies in the United States, and Tyson Foods, a leading beef and poultry meat processing company. The feed lot began to operate in September 1999.

Las Vertientes. Las Vertientes farm is our largest storage facility with a surface area of 4 hectares and 10,000 tons capacity, located in Las Vertientes, Río Cuarto in the Province of Cordoba.

La Esperanza. On April 22 and 23, 2008, we signed deeds for the purchase of 80% of the 980 hectares of the La Esperanza farm located in the Province of La Pampa. The transaction was agreed for a price of US$ 1.3 million that has been paid in full. During the year ended June 30, 2008, we used this farm solely for crop 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 campaign. Leases of farms for production of grains consist in lease agreements with payments based on a fixed amount of Pesos per hectare or crop sharing agreements (*aparcería*) with payments in kind based on a percentage of the crops obtained or a fixed amount of tons of grains obtained or their equivalent value in Pesos. Leases of farmlands for cattle breeding consist in lease agreements with fixed payments based on a fixed amount of Pesos per hectare or steer kilograms or capitalization agreements with payments in kind or in cash based on the weight gain in kilograms.

During fiscal year 2008, we leased from third parties a total of 46 fields, covering 63,344 hectares, of which 30,449 hectares were assigned to farming production, including the double harvest, and 32,895 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 amount of hectares owned and leased land used for each of our principal production activities:

	Year ended June 30,					
	2006(1)(2)		2007(1)(2)		2008(1)(2)	
	Owned(3)	Leased	Owned(3)	Leased	Owned(3)	Leased
Crops	20,018	17,004	22,712	25,307	25,379	30,449
Cattle	97,299	3,425	84,848	29,208	90,999	32,895
Milk	1,505		2,376		4,092	

(1) Does not include the hectares of Agro Uranga S.A.

(2) Does not include the hectares of Agropecuaria Cervera.

(3) The land assigned to crops may differ from sown land, as some hectares are sown twice and therefore are counted twice as sown land. During the fiscal year 2008, a total 30,449 hectares were leased from third parties for agricultural production, primarily at a fixed price prior to harvest. Only small percentages were crop sharing agreements.

Due to the rise in the price of land, we adopted a policy of not validating such prices and only leasing land at values that would ensure appropriate margins. For the 2008/2009 season, we leased 63,387 hectares of agricultural production.

Storage Facilities

As of June 30, 2008, we had an approximate storage capacity of 15,341 tons (including 35.72% of the 14,950 tons available at Agro Uranga S.A.).

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

	Storage Capacity At June 30,		
	2006 (in tons)	2007 (in tons)	2008 (in tons)
Las Vertientes	10,000	10,000	10,000
San Nicolás (1)	5,341	5,341	5,341
Total	15,341	15,341	15,341

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

Land Management

In contrast to traditional Argentine farms, run by a 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 land rotates in four-year periods of cattle feeding and four to twelve years of agricultural production, according to the region. The use of preservation techniques (including exploitation by no till sowing) frequently allows us to extend agricultural exploitation periods.

Subsequent to the acquisition of the properties, we make investments in technology in order to improve productivity and to increase the value of the property. It may be the case that upon acquisition, a given extension of the property is sub-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 a 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 cattle market in Argentina are fixed in the *Mercado de Liniers* (or Liniers Market) (on the outskirts of the province of Buenos Aires) where live animals are sold by auction on a daily basis. At *Mercado de Liniers*, 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 2007 and 2008 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. We negotiated with this company the prices of raw milk on a monthly basis in accordance with domestic supply and demand. We understand that other major dairy companies in Argentina would be willing and in a position to buy our milk production, in whole or in part, if we decided to diversify our sales of milk. 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.

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Customers

For the fiscal year ended June 30, 2008 our sales were Ps.145.3 million and were made to approximately 139 customers. Sales to our ten largest customers represented approximately 71% of our net sales during the fiscal year 2007 and approximately 61% for the fiscal year ended June 30, 2008. Of these customers, our biggest three customers, Cargill S.A., Mastellone Hnos. S.A. and Arre Beef S.A., represented, in the aggregate, approximately 37% of our net sales, while the remaining seven customers in the aggregate represented approximately 24% of our net sales in fiscal year 2008. We have signed non-binding letters of intent with some of our largest customers that allow us to estimate the volume of the demand for certain products and to plan production accordingly. We generally enter into short-term agreements with a term of less than a year.

Marketing Channels and Sales Methods

Crops

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

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

Beef cattle

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

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

Raw Materials

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

Competition

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

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.

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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. Others segments of our activities, such as our sales of cattle and milk and our forestry activities tend to be more of a successive character than of a seasonal character. However, the production of beef and milk is generally higher during the second quarter, when pasture conditions are more favorable. In consequence, there may be significant variations in results from one quarter to the other.

Our Investments

BrasilAgro Companhia Brasileira de Propriedades Agrícolas

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

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

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

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

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

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

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

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

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

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

During the fiscal year ended June 30, 2008, the Company acquired 4,136,800 shares of BrasilAgro. Due to this acquisition, we owned a 14.39% interest as of June 30, 2008.

When we founded BrasilAgro, we contributed Ps.63.1 million in cash in exchange for shares and 10,490,200 warrants to purchase additional BrasilAgro shares for 15 years and at the same price as was established in the initial public offering, Reais 10.00, adjusted by the Consumer Price Index Amplified, or IPCA. Should we decide to exercise such warrants, we may acquire, following the share split, 5,984,987 additional shares, thereby holding 19.7% of BrasilAgro s diluted capital stock. Two thirds of these warrants may already be exercised, and the balance may be exercised as of the third anniversary of the placement.

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

As of June 30, 2008, BrasilAgro had 7 properties, with an aggregate surface area of 145,327 hectares. We believe these properties were acquired at attractive prices compared to the average in the respective regions, and that they offer high appreciation potential.

Property	Province	Date of acquisition	Surface area (in hectares)	Main activity (Project)	Value R$ / Ha. (thousands of R$)	
Sao Pedro	Chapado do Sul (MS)	Sep-06	2,443	Sugar cane	R$	4.1
Cremaq	Baixa Grande do Ribeiro (PI)	Oct-06	32,375	Grains	R$	1.3
Jatobá [(1)]	Jaborandi (BA)	Mar-07	31,602	Grains and cotton	R$	1.0
Alto Taquari	Alto Taquari (MT)	Aug-07/Under analysis [(2)]	5,266	Sugar cane	R$	6.5
Araucaria [(1)]	Mineiros (GO)	Apr-07	11,657	Sugar cane	R$	5.8
Chaparral	Correntina (BA)	Nov-07	37,799	Livestock/Grains	R$	1.2
Nova Buriti	Januária (MG)	Dec-07	24,185	Forestry	R$	0.9

(1) Hectares and value in proportion to BrasilAgro s interest.

(2) 3,673 hectares are subject to the sellers agreement in respect of certain conditions precedent.

Sao Pedro is a farm in Chapadao do Sul (MS). With a surface area of 2,443 hectares, Sao Pedro was bought for R$ 9.9 million. Located 1,000 km. from a major port, this farm was acquired at a price significantly lower than the average in the region. Its potential production area is 1,700 hectares. BrasilAgro has harvested soybean crops in a surface area of 1,556 hectares while 857 hectares have been sown with corn for the winter harvest and 30 hectares with sugar cane. In our opinion, this land offers high potential for appreciation as a result of the sugar cane premises scheduled to be installed in the region.

Cremaq is a farm in Baixa Grande do Ribeiro (Piaui). We acquired this 32,375 hectare property for R$ 42.2 million and estimate that the total production area will be 23,000 hectares. There are approximately 1,500 hectares leased to third parties. BrasilAgro has harvested 3,517 hectares of soybean crops and 115 hectares of rice crops in this property. The farm is close to the Itaqui Port and to the Norte-Sul railway. Weather and topographic conditions in the area are suited to soybean, corn and cotton crops. This property was also bought for a value lower than the average in the region. We believe it offers significant appreciation potential.

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Jatobá is a farm in the Jaborandi district, in the State of Bahía. The acquisition price was R$ 35.4 million and it has 31,603 hectares. BrasilAgro has harvested soybean crops in an area of 1,000 hectares.

Alto Taquarí is a farm with a total area of 5,266 hectares and located in the municipality of Alto Taquarí, Mato Grosso. This property was purchased for R$ 34 million of which R$18.4 million have been paid. The payment of the balance due is subject to the fulfillment of certain conditions by the seller. This property has an estimated production area of 3,720 hectares. Soybean crops have been harvested in an area of 2,996 hectares while 986 hectares have been sown with corn for the winter harvest. An additional 1,700 hectares have been sown with sugar cane.

Araucaria farm is located in the municipality of Mineiros, Goiás and it has a total area of 15,543 hectares. The 75% stake (11,657 hectares) was acquired by BrasilAgro on April 27, 2007. The production area is estimated at 8,435 hectares. BrasilAgro has harvested soybean crops in an area of 4,547 hectares while 3,326 hectares have been sown with corn and sorghum for the winter harvest. An additional 1,430 hectares have been sown with sugar cane.

Chaparral is a farm of 37,799 hectares located in Correntina, Bahía, purchased for R$ 47.1 million. Its potential production area is 28,000 hectares. The land will be used for cattle fattening and grain crops.

Nova Buriti is a farm with a total surface area of 24,185 hectares, located in the municipality of Januaria, Minas Gerais. The farm has a production area of 19,935 hectares and will be used for forestry activities.

In June 2008, BrasilAgro announced the first sale of a property, *Engenho,* a farm located in Maracaju, in the State of Mato Grosso do Sul. The 2,022 hectares farm was acquired for R$ 10.1 million. As of March 31, 2008, this farm was subject to a lease agreement and yielded approximately 8 tons of sugar cane per year per hectare. On June 17, 2008, the 2,022 hectares of this farm were sold for R$ 21.8 million.

At the end of fiscal year ended June 30, 2008, BrasilAgro presented its first results of operations. The total exploited surface area of the farms amounted to 22.1 thousand hectares. The first harvest of soybean crops had a total production of 37.1 thousand tons. In addition, 367 tons of rice crops and 81.2 thousand tons of sugar cane sprouts were harvested.

After the closing of the fiscal year ended June 30, 2008, BrasilAgro purchased 16,830 hectares of the Preferência farm, located in the district of Barreiras, Bahia, at a price of R$ 600.0 per hectare totaling approximately R$10.1 million. We believe the property has good conditions for cattle breeding and crop production.

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

Futuros y Opciones.Com S.A.

In May 2000, we acquired 70% of the shares of Futuros y Opciones.Com S.A. (Futuros y Opciones.Com) for Ps.3.5 million. During the fiscal years 2001 and 2002, we made capital contributions for Ps.3.0 million. The site was launched in November 1999 and is aimed at becoming the most important agriculture business online community in Latin America. Futuros y Opciones.Com launched its e-commerce strategy in March 2001, in order to sell products, buy inputs, ask for loans, and obtain insurance, among other things. Currently, the main activity of Futuros y Opciones.Com is grain brokerage.

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

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

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

As a result of such capital increase, our investment has increased by Ps.0.6 million. This effect has been recognized in the additional paid-in capital account, pursuant to section 33 of the Argentine Corporation Law No. 19,550 under the Shareholders Equity section. As of June 30, 2008, our interest in Futuros y Opciones.Com S.A. was 68.10%.

As of June 30, 2008, Futuros y Opciones.Com total revenues increased by 161.5% compared to the previous fiscal year, with 59.6% growth in the revenues yielded by its main business, grains brokerage. In addition, the business consisting of sales of inputs grew by 308.7%, while revenues from commissions and technology services increased by 229.9% and 27.6%, respectively.

During the previous fiscal year ended June 30, 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. Trading volumes have surpassed expectations and the service consisting in hedging with futures has turned into an essential tool for our customers to manage their price risks.

The portal keeps consolidating as the leading site for the agricultural and beef cattle sector and various private polls have agreed that it is the most visited site by farmers engaged in both agricultural and beef cattle activities. The site presently has an average of 15,000 visitors per day and it is strengthening its position as a leading supplier of market information for the sector.

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

Cactus Argentina S.A.

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

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

On January 11, 2007, Cactus and us acquired 100% of the Exportaciones Agroindustriales Argentinas S.A. (EAASA) shares for Ps.16.8 million. EAASA owns a meat packing plant in Santa Rosa, Province of La Pampa, with capacity to slaughter and process approximately 9,500 cattle heads per month. Cactus goal is to expand in the future the slaughter capacity to 15,000 heads per month.

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

Cactus is a pioneer in feedlot services in Argentina, with a 25,000 heads of cattle capacity, depending on the size of the cattle. Cactus customer base changed during fiscal year 2008, 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.

During the fiscal year ended June 30, 2008, Cactus recorded income as a result of the services supplied to farmers and investors and the profits generated by its own fattened cattle.

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

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

Agropecuaria Cervera S.A.

On December 27, 2005, we acquired 100% of the shares of Agropecuaria Cervera S.A. (Agropecuaria Cervera), whose main asset is the concession for the start-up of production pertaining to a comprehensive biological, economic and social development project over various properties located in Anta, Province of Salta, and which is duly authorized to implement a large-scale project covering agricultural, cattle breeding and forestry activities. The concession agreement covers an area of 162,000 hectares for a 35-year period with an option to extend it for an additional 29-year period. However, an area of approximately 30,000 hectares are not usable for these purposes. In the framework of the concession, there is a development project aimed at applying 35,000 hectares to agricultural use, and 55,000 hectares to livestock activities. These projects have been approved by the Secretary of Environment and Sustainable Development of the Province of Salta. We surrendered 3.6 million convertible notes of IRSA and paid Ps.3.17 million in cash for the acquisition of the concession. During the fiscal year ended June 30, 2008, Agropecuaria Cervera commenced its land development activities, and it had 3,811 hectares devoted to its own production and 5,132 hectares leased to third parties as of June 30, 2008.

Land development is expected to continue in the form of a project consisting of a total of 35,000 hectares which has been approved by the Secretariat of Environment and Sustainable Development of the Province of Salta.

On July 2, 2008, Agropecuaria Cervera and the government of the Province of Salta executed a memorandum of understanding renegotiating the concession agreements for the northern and southern areas of the real estate property. The agreements establish that the concessionaire should pay as a concession fee the amount in US Dollars equivalent to a quintal of soybean per harvested hectare of any crop in the northern and southern areas per year. The concession fee is required to be paid on July 1 of each year starting in 2009. For the purposes of determining the concession fee, 2,000 hectares in the southern area rented out to Compañía Argentina de Granos are excluded. Additionaly, Agropecuaria Cervera committed to return the 30,000 hectares originally considered as not usable for agricultural purposes under the concession. On August 29, 2008, the Memorandum of Understanding was approved by Decree No. 3,766 of the Executive Power of the Province of Salta.

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Agrology S.A.

Agrology S.A. was incorporated on May 8, 2008, with Cresud holding a 97% stake and Inversiones Ganaderas S.A. holding the remaining 3% stake. The capital stock of Ps.50,000 was fully subscribed and paid. On May 28, 2008, Agrology S.A. acquired the interest held by Inversiones Ganaderas S.A. in IRSA, 2,187,479 GDRs, at a price of Ps.96.0 million. In consideration thereof, Agrology S.A. substituted Inversiones Ganaderas S.A. as borrower in the line of credit agreement entered into between the latter and Cresud.

As a result of this sale, the loan agreement which granted 790,631 GDRs between Inversiones Ganaderas S.A. and Inversiones Financieras del Sur S.A. was also assigned to Agrology S.A. On August 6, 2008, Agrology S.A. entered into a securities loan agreement with Inversiones Financieras del Sur S.A. granting 1,275,022 GDRs of IRSA under the same conditions as the previous agreement. Agrology S.A. is a new venture that invests in financial instruments and manage equity interests in other companies.

REGULATION AND GOVERNMENT SUPERVISION

Farming and Animal Husbandry Agreements

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

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

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

Quality control of Grains and Cattle

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

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

Sale and Transportation of Cattle

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

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

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Export Restriction of Beef

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

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

In June 2007, pursuant to Resolution No 269/2007 the Secretaria de Agricultura Ganadería, Pesca y Alimentos granted to our subsidiary Exportaciones Agroindustriales Argentinas S.A. to export up to 423.6 tons of beef under the authorized export quotas to Europe, known as *Cuota Hilton*, for the commercial year 2007/2008.

Environment

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

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

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

As of June 30, 2008, we owned land reserves in excess of 230,532 hectares, which are located in under-utilized areas where agricultural production is not yet fully developed. We believe that technological tools are available to improve the productivity of such land and enhance its long-term value. However, existing or future environmental regulations may prevent us from completely developing our land reserves, requiring us to maintain a portion of such land as unproductive land reserves.

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

Property and Transfer Taxes

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

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

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

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

IRSA s Business

Overview

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

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

As of June 30, 2008, IRSA had total assets of Ps.4,472.0 million and shareholders equity of Ps.1,924.2 million. IRSA s net income for the fiscal years ended June 30, 2006, 2007, and 2008 was Ps.96.6 million, Ps.107.1 million, Ps.54.9 million, respectively. IRSA is the only Argentine real estate company whose shares are listed on the Buenos Aires Stock Exchange and whose GDSs are listed on the New York Stock Exchange.

Consolidated Revenues by Geographic Area

	Revenues for fiscal years ended June 30, (1) (2)		
	2006	2007	2008
	(in thousands of Pesos)		
Offices and other non-shopping center leased properties:			
City of Buenos Aires	29,918	55,032	100,384
Buenos Aires Province	647	651	605
Shopping Centers and Consumer Financing Operations:			
City of Buenos Aires	281,119	407,294	532,020
Buenos Aires Province	25,151	31,249	39,958
Salta Province	5,243	6,635	9,598
Santa Fe Province	11,823	15,464	20,040
Mendoza Province	14,636	18,779	24,232
Córdoba Province		3,810	10,577
Sales and Developments:			
City of Buenos Aires	99,949	74,536	189,296

Buenos Aires Province	3,942	1,124	4,030

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	Revenues for fiscal years ended June 30, (1) (2)		
	2006	2007	2008
	(in thousands of Pesos)		
Córdoba Province	75	91	57
Salta Province			3,428
Hotels:			
The City of Buenos Aires	64,607	74,601	92,043
Rio Negro Province	39,156	48,080	56,804
Mendoza Province			
Total The City of Buenos Aires	475,593	611,463	913,743
Total Buenos Aires Province	29,740	33,024	44,593
Total Rio Negro Province	39,156	48,080	56,804
Total Santa Fe Province	11,823	15,464	23,468
Total Salta Province	5,243	6,635	9,598
Total Córdoba Province	75	3,901	10,634
Total Mendoza Province	14,636	18,779	24,232
Total	**576,266**	**737,346**	**1,083,072**

(1) Shopping centers do not include income for sales and developments.

(2) Revenues do not includes IRSA s income from Financial operations and others segment.

Shopping Centers. IRSA is engaged in purchasing, developing and managing shopping centers through IRSA s subsidiary Alto Palermo. Alto Palermo operates and owns majority interests in ten shopping centers, six of which are located in the Buenos Aires metropolitan area, and the other four of which are located in the Provinces of Mendoza, Rosario, Córdoba and Salta. IRSA s Shopping Center segment had assets of Ps.1,705.0 million as of June 30, 2008, representing 38.1% of its consolidated assets at such date, and generated operating income of Ps.182.3 million during IRSA s 2008 fiscal year, representing 71.5% of its consolidated operating income for such year.

Consumer Financing. IRSA operates a consumer financing business through IRSA s majority-owned subsidiary, Tarshop S.A. Tarshop originates consumer loans and credit card accounts and generally securitizes a portion of its portfolio of receivables. Tarshop s consumer financing operations consist primarily of lending and servicing activities relating to the credit card products it offers to consumers at shopping centers, hypermarkets and street stores. IRSA finances a substantial majority of its credit card activities through securitization of the receivables underlying the accounts it originates. IRSA s revenues from credit card operations are derived from interest income generated by financing and lending activities, merchants fees, insurance charges for life and disability insurance, and fees for data processing and other services. IRSA s consumer financing segment had assets of Ps. 134.1 million as of June 30, 2008, representing 3.0% of IRSA s consolidated assets and generated an operating loss of Ps. 17.7 million during IRSA s fiscal year ended June 30, 2008 representing (6.9%) of IRSA s consolidated operating income.

Residential Properties. The acquisition and development of residential apartment complexes and residential communities for sale is another of IRSA s core activities. IRSA s development of residential apartment complexes consists of the construction of high-rise towers or the conversion and renovation of existing structures, such as factories and warehouses. In residential communities, IRSA acquires vacant land, develop infrastructure such as roads, utilities and common areas, and sell plots of land for construction of single-family homes. IRSA s Development and Sale of Properties segment had assets of Ps.462.9 million as of June 30, 2008, representing 10.4% of IRSA s consolidated assets at such date, and generated operating income of Ps.19.3 million during IRSA s 2008 fiscal year ended June 30, 2008, representing 7.6% of IRSA s consolidated operating income for such year.

Office Buildings. In December 1994, IRSA launched its office rental business by acquiring three prime office towers in Buenos Aires: Libertador 498, Maipú 1300 and Madero 1020. As of June 30, 2008, IRSA, directly and indirectly, owned interests in 28 office buildings and other non-shopping center rental properties in Argentina that in the aggregate represented 260,866 square meters of gross leasable area. IRSA s Offices and

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Other Non-Shopping Center Rental Properties segment had assets of Ps.1.056,5 million as of June 30, 2008, representing 23.6% of IRSA s consolidated assets at such date, and generated operating income of Ps.52,3 million during IRSA s 2008 fiscal year, representing 20.5% of its consolidated operating income for such year.

Hotels. In 1997, IRSA acquired the Hotel Llao Llao and an indirect controlling interest in the Hotel Intercontinental in Buenos Aires. In March 1998, IRSA acquired the Hotel Sheraton Libertador in Buenos Aires. During fiscal year 1999, IRSA sold a 20% interest in the Hotel Libertador to Hoteles Sheraton de Argentina S.A., and during the fiscal year 2000, IRSA sold 50% of IRSA s interest in the Hotel Llao Llao to the Sutton Group. IRSA s Hotels segment, which consists of these three hotels, had assets of Ps. 252.0 million as of June 30, 2008, representing 5.6% of its consolidated assets at such date, and generated income of Ps.18.0 million during IRSA s 2008 fiscal year, representing 7.1% of its consolidated operating income for such year.

Banco Hipotecario. IRSA currently owns 11.8% of Banco Hipotecario, Argentina s leading mortgage lender in terms of outstanding mortgage loans. IRSA acquired 2.9% of Banco Hipotecario for Ps.30.2 million when it was privatized in 1999. During 2003 and 2004, IRSA increased its investment in Banco Hipotecario to 11.8% by acquiring additional shares, and by acquiring and exercising warrants, for an aggregate purchase price of Ps.33.4 million. In May 2004, IRSA sold Class D shares representing 1.9% of Banco Hipotecario to IFISA, one of IRSA s controlling shareholders, for Ps.6.0 million, generating a loss of Ps.1.6 million. IRSA s 11.8% investment in Banco Hipotecario is held in the form of Class D shares, which are currently entitled to three votes per share, affording it the right to vote approximately 18.36% of the total votes that can be cast at Banco Hipotecario s shareholders meetings. As of June 30, 2008, IRSA s investment in Banco Hipotecario represented 6.5% of its consolidated assets, and during its fiscal years ended June 30, 2006, 2007 and 2008, this investment generated gains of Ps.47.0 million and Ps.41.4 million and a loss of Ps.12.4 million, respectively.

Business Strategy

IRSA seeks to take advantage of its position as a leading company in Argentina dedicated to owning, developing and managing real estate. IRSA s business strategy seeks to (i) generate stable cash flows through the operation of its real estate rental assets (shopping centers, office buildings, hotels), (ii) achieve long-term appreciation of its asset portfolio by selectively acquiring strategically located properties by taking advantage of development opportunities, and (iii) enhance the margins of IRSA s sales and developments segment through timely transformation of its land reserves into developed residential and commercial properties.

Shopping centers. In recent years, the Argentine shopping center industry has benefited from improved macroeconomic conditions and a significant expansion in consumer credit. IRSA believes that the Argentine shopping center sector offers attractive prospects for long-term growth due to, among other factors, (i) a continuing evolution of consumer preferences in favor of shopping malls (away from small neighborhood shops) and (ii) a level of shopping center penetration that IRSA considers low compared to many developed countries. IRSA seeks to improve its leading position in the shopping center industry in Argentina by taking advantage of economies of scale to improve the operating margins of its diversified portfolio of existing shopping centers and by developing new properties at strategic locations in Buenos Aires and other important urban areas, including in Argentine provinces and elsewhere in Latin America. The shopping center business is at present the strongest source of cash generation of IRSA s business segments.

Consumer financing. IRSA operates a consumer financing business through Tarshop S.A., its controlled subsidiary. Tarshop s operations consist primarily of lending and servicing activities relating to the consumer financing products IRSA offers to consumers at shopping centers, hypermarkets and street stores. IRSA seeks to consolidate the operations of its consumer financing business and intend to maintain low levels of credit exposure through the securitization of its credit card loans. From time to time IRSA considers strategic alternatives to maximize the value of its investment in Tarshop including its possible merger with, or sale to, another financial institution actively engaged in the Argentine credit card industry. Although IRSA is actively considering a range of such strategic alternatives, we cannot give you any assurance if or when any of them will be in fact be implemented.

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

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

Hotel operations. IRSA believes its portfolio of three luxury hotels is positioned to take advantage of future growth in tourism and business travel in Argentina. IRSA s strategy has been investing in high-quality properties which are operated by leading international hotel companies to capitalize on IRSA s operating experience and international reputation. IRSA is currently remodeling the Hotel Sheraton Libertador and the Hotel Intercontinental. In December, 2007, IRSA inaugurated 43 new suites in the Hotel Llao Llao in Bariloche, Argentina.

Banco Hipotecario. Banco Hipotecario is a full-service commercial bank offering a wide variety of banking activities and related financial services to individuals, small- and medium-sized companies and large corporations. Banco Hipotecario is a leader in this segment in Argentina. Since 1999, Banco Hipotecario s shares have been listed on the Buenos Aires Stock Exchange, and since 2006 it has participated in the Level 1 ADR program of the Bank of New York. IRSA believes that its 11.8% investment in Banco Hipotecario has attractive prospects for long-term appreciation. Unlike certain other countries in Latin America, Argentina has a low level of mortgages outstanding, particularly if measured in terms of GDP; accordingly, a significant potential growth is expected for this sector in the future. Finally, IRSA believes that the mortgage origination business and its real estate development business (which IRSA expects to be bolstered through its recent partnership with Cyrela mentioned above) may potentially benefit from synergies that enhacing operational efficiencies and cross selling opportunities that may promote the development of its proyects.

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

International. In the past, IRSA has made significant real estate investments outside of Argentina, including investments in Brazil Realty S.A. in Brazil and Fondo de Valores Inmobiliarios in Venezuela which IRSA disposed of in 2002 and 2001, respectively. Although we cannot assure you that IRSA will make further investments outside of Argentina, IRSA believes that Brazil and certain other Latin American countries offer certain interesting real estate opportunities. IRSA expects to continue to evaluate actively such regional opportunities as they arise.

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Shopping Centers

Overview

IRSA is engaged in the ownership, acquisition, development, leasing, management and operation of shopping centers through its subsidiary Alto Palermo, and is one of the largest owners and managers of shopping centers in Argentina in terms of gross leasable area and number of shopping centers. As of June 30, 2008, Alto Palermo owned a majority interest in, and operated, a portfolio of ten shopping centers in Argentina, of which five are located in the City of Buenos Aires (Abasto, Paseo Alcorta, Alto Palermo, Patio Bullrich and Buenos Aires Design), one is located in the greater Buenos Aires area (Alto Avellaneda), and the rest are located in different provinces (Alto Noa in the City of Salta, Alto Rosario in the City of Rosario, Mendoza Plaza in the City of Mendoza and Córdoba Shopping Villa Cabrera in the City of Córdoba).

As of June 30, 2008, IRSA owned approximately 63.3% of Alto Palermo, and Parque Arauco S.A. (Parque Arauco) owned 29.6%. The remaining shares are held by the public and traded on the Bolsa de Comercio de Buenos Aires and on the Nasdaq National Market (USA) under the symbol APSA. In addition, as of June 30, 2008, IRSA owned US$31.7 million of Alto Palermo s convertible notes due 2014. If IRSA and all other holders of such convertible Notes were to exercise its option to convert the convertible notes into shares of Alto Palermo s common stock, IRSA s shareholding in Alto Palermo would increase to 65.9% of its fully diluted capital.

Alto Palermo s shopping centers comprise a total of 232,659 square meters of gross leasable area (excluding certain space occupied by hypermarkets which are not Alto Palermo s tenants and the surface area of its subsidiary Panamerican Mall that includes several projects one of which is the construction of a shopping center). Total tenant sales in Alto Palermo s shopping centers, excluding Córdoba Shopping, as reported by retailers, were approximately Ps. 3,581.5 million for the fiscal year ended June 30, 2008 and Ps. 2,825.8 million for the fiscal year ended June 30, 2007 (with Córdoba Shopping Villa Cabrera, the total sales to June 30, 2008 were of Ps. 3,702.3 millions). Tenant sales at Alto Palermo s shopping centers are relevant to its revenues and profitability because they are one of the factors that determine the amount of rent that Alto Palermo charge its tenants. They also affect the tenants overall occupancy costs as a percentage of the tenant s sales.

During the fiscal year ended June 30, 2008, the income from Alto Palermo s largest tenants who are the biggest tenants of each shopping center, was 4.8% of consolidated sales from revenues and services.

As of June 30, 2008, Alto Palermo owned and/or operated the following ten shopping centers in Argentina:

Shopping Center	Interest owned (4)	Location
Paseo Alcorta	100%	City of Buenos Aires, Argentina
Patio Bullrich	100%	City of Buenos Aires, Argentina
Abasto	100%	City of Buenos Aires, Argentina
Alto Palermo (1)	100%	City of Buenos Aires, Argentina
Buenos Aires Design (2)	54%	City of Buenos Aires, Argentina
Alto Avellaneda	100%	Buenos Aires, Argentina
Alto Noa	100%	Salta, Argentina
Alto Rosario	100%	Santa Fe, Argentina
Mendoza Plaza	100%	Mendoza, Argentina
Córdoba Shopping Villa Cabrera (3)	100%	Córdoba, Argentina

(1) Alto Palermo have a 99.99% interest in Alto Palermo through a 99.99% interest in our subsidiary Shopping Alto Palermo S.A. (SAPSA).

(2) Alto Palermo have a 54% equity interest of Emprendimiento Recoleta S.A. (ERSA), which holds the concession to operate the Buenos Aires Design Shopping Center.

(3) Alto Palermo have a 100% interest in Córdoba Shopping Villa Cabrera through a 100% interest in our subsidiary Empalme S.A.I.C.F.A.G. y A.

(4) Percentage of equity interest owned has been rounded

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Tenant Retail Sales

The following table sets forth the total approximate tenant retail sales in Pesos at the shopping centers in which Alto Palermo had an interest for the fiscal years ended June 30, 2006, 2007 and 2008:

	Fiscal year ended June 30, (1)		
	2006	2007	2008
	Ps	Ps	Ps
Abasto	453,871,445	573,814,588	720,398,373
Alto Palermo	436,244,953	502,220,444	631,821,667
Alto Avellaneda	308,900,404	418,349,117	560,693,754
Paseo Alcorta	264,060,375	321,948,304	385,515,939
Patio Bullrich	195,877,528	226,200,714	271,411,516
Alto Noa	104,529,187	130,318,508	173,998,891
Buenos Aires Design	91,921,046	110,722,931	132,952,563
Mendoza Plaza	275,864,008	337,757,597	433,394,266
Alto Rosario	143,806,266	204,430,069	271,331,827
Córdoba Shopping - Villa Cabrera			120,827,838
Total sales (2)	2,275,075,212	2,825,762,272	3,702,346,634

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

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

The following table shows certain information on shopping centers in which Alto Palermo held an interest as of June 30, 2008:

	Acquisition date	Gross leaseable area (1) (m²)	Number of stores	Occupation percentage (2) (%)	Interest percentage (%)	Book value as of June 30, 2008(3) (thousands of Ps)
Abasto (4)	7/94	39,642	171	99.6	100	174,725.3
Alto Palermo (5)	11/97	18,551	143	100	100	170,512,9
Alto Avellaneda (6)	11/97	37,030	142	99.8	100	95,905,2
Paseo Alcorta	6/97	14,465	111	99.5	100	56,006,9
PatioBullrich	10/98	11,685	80	100.0	100	98,063.3
Alto Noa (7)	3/95	18,851	89	100.0	100	25,039.3
Buenos Aires Design (8)	11/97	14,069	63	100.0	54	13,568.4
Mendoza Plaza (9)	12/94	39,688	152	97.7	100	88,363.2
Alto Rosario (10)	11/04	28,561	145	99.2	100	83,146.8
Córdoba Shopping Villa Cabrera- (11) (12)	12/06	10,117	104	97.2	100	71,186.1
Total		232,659	1,200	99.3		876,517.5

(1) Excludes the gross leaseable area occupied by hypermarkets that are not Alto Palermo s tenants.

(2) Calculated by dividing square meters leased under leases in effect by gross leasable area as of June 30, 2008.

(3) Book value equals cost of acquisition of fixed assets or development plus improvements, (adjusted for inflation until February 28, 2003), less accumulated depreciation and impairment charges / recovery.

(4) Excludes approximately 3,800 square meters of space occupied by Museo de los Niños, Abasto

(5) On November 18, 1997, Alto Palermo acquired a 75% interest in the property and on December 23, 1997, Alto Palermo acquired the remaining 25%.

(6) On November 18, 1997, Alto Palermo acquired a 50% interest in the property and on December 23, 1997, Alto Palermo acquired the remaining 50%.

(7) In March 1995, September 1996 and January 2000, Alto Palermo acquired a 50%, 30% and 20% interest in the property, respectively.

(8) Alto Palermo owns a 54% interest in the company which holds the concession to operate this property. Alto Palermo consolidate sales of this shopping center. The amounts shown reflect 100% of the gross leasable area, the total number of stores and of the percentage leased. During May 2006, Alto Palermo acquired an additional 3% interest, increasing its interest from 51% to 54%.

(9) During the fiscal year ended June 30, 2008, Alto Palermo increased its interest in Mendoza Plaza Shopping S.A. from 85.4% to 100%.

(10) Excludes approximately 1,260 square meters of space occupied by Museo de los Niños, Rosario.

(11) Excludes 12,371 square meters of space occupied by movie theaters and a supermarket.

(12) On December 27, 2006, Alto Palermo acquired a 100% interest in the property.

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Occupancy Rate

The following table sets forth the occupancy rate expressed as a percentage of the gross leasable area for the fiscal years ended June 30, 2006, 2007 and 2008:

	As of June 30		
	2006	2007	2008
		%	
Abasto	99.9	97.0	99.6
Alto Palermo	100.0	99.6	100.0
Alto Avellaneda	96.6	95.0	99.8
Paseo Alcorta	99.2	99.0	99.5
Patio Bullrich	100.0	100.0	100.0
Alto Noa	100.0	100.0	100.0
Buenos Aires Design	100.0	100.0	100.0
Mendoza Plaza	97.8	95.9	97.7
Alto Rosario	100.0	93.4	99.2
Córdoba Shopping Villa Cabrera			97.2
Overall Average	**99.3**	**97.8**	**99.3**

Rental Price

The following table shows the annual average rental price per square meter for the fiscal years ended June 30, 2006, 2007 and 2008:

	Fiscal year ended June 30, (1)		
	2006 (Ps)	2007 (Ps)	2008 (Ps)
Abasto	1,021.5	1,273.2	1,436.8
Alto Palermo	2,432.2	2,925.0	3,058.5
Alto Avellaneda(2)	899.7	1,099.8	972.4
Buenos Aires Design	501.4	633.7	672.8
Paseo Alcorta	1,628.7	2,074.2	2,313.8
Patio Bullrich	1,791.6	2,051.1	2,095.6
Alto Noa	280.0	343.9	461.2
Alto Rosario	376.0	484.2	608.6
Mendoza Plaza	353.8	455.6	537.0
Córdoba Shopping Villa Cabrera			870.6

(1) Annual rental price per gross leasable square meter reflects the sum of base rent, percentage rent, stands and revenues from admission rights (excluding any applicable tax on sales) divided by gross leasable square meters.

(2) Alto Avellaneda´s revenue fall per square meter in fiscal year 2008, is due to the inclusion of 11.600 m^2 belonging to Falabella.

Lease Expirations

The following table sets forth the schedule of estimated lease expirations for Alto Palermo s shopping centers for leases in effect as of June 30, 2008, assuming that none of the tenants exercise renewal options or terminate their leases early:

Lease Expiration as of June 30, (3)	Number of Leases Expiring (1)	Square Meters Subject to Expiring Leases (m2)	Percentage of Total Square Meters Subject to Expiration (%)	Annual Base Rent Under Expiring Leases (2) (Ps.)	Percentage of Total Base Rent Under Expiring Leases (%)
2009	554	103,092	44	64,177,684	40
2010	291	39,340	17	40,347,812	25
2011	288	37,885	16	41,529,159	26
2012 and subsequent years	67	52,342	23	13,216,865	9
Total1(2)	1,200	232,659	100	159,271,520	100

(1) Including the vacant stores as of June 30, 2008. A lease may be associated to one or more stores.

(2) Including the base rent and does not reflect Alto Palermo s ownership interest in each property.

(3) Even thoug the leases are cancelable by law, Alto Palermo considers them to be non-cancelable for these purposes. See note 19.I.s) to Alto Palermo s consolidated financial statements for more information as to haw Alto Palermo considered this definition.

Depreciation

The net book value of the properties has been determined using the straight-line method of depreciation calculated over the useful life of the property. For more information, see Alto Palermo s consolidated financial statements.

Detailed Information About Each of Alto Palermo s Shopping Centers

Set forth below is information regarding Alto Palermo s shopping center portfolio, including tables with the names of the five largest tenants of each shopping center and certain lease provisions agreed with such tenants.

Abasto, City of Buenos Aires.

Abasto is a 171-store shopping center property located in the center of the City of Buenos Aires with direct access from the *Carlos Gardel* subway station, six blocks from the Once railway terminal and near the highway to Ezeiza International Airport. Abasto opened on November 10, 1998. Alto Palermo invested approximately US$111.6 million in Abasto. The main building is a landmark building that, between 1889 and 1984 was the primary fresh produce market for Buenos Aires. Alto Palermo converted the property into an 116,646 square meter shopping center with approximately 39,642 square meters of gross leasable area. Abasto is the fourth largest shopping center in Argentina in terms of gross leasable area. This shopping center is close to Torres de Abasto, Alto Palermo s developed residential apartment complex, and to Coto supermarket.

Abasto includes a food court with 24 restaurants, a multiplex cinema with 12 movie theaters and seating for approximately 3,100 people covering an area of 9,890 square meters, entertainment facilities and a 3,800 square meter children s museum that is not included in the gross leasable area. The shopping center is spread out over five levels and has a 1,200-car parking lot consisting of 40,169 square meters (excluding the supermarket).

Abasto s target clientele consists of middle-income individuals between the ages of 25 and 45 which Alto Palermo believes represent a significant portion of the population in this area of Buenos Aires.

During the fiscal year ended June 30, 2008, visitors to the shopping center generated total retail sales of approximately Ps. 720,4 million, representing sales per square meter of approximately Ps. 18,172.6. Revenues from leases increased from approximately Ps. 56,4 million for the fiscal year 2007 to Ps. 70.3 million for the fiscal year 2008 which represent monthly revenues per gross leasable square meter of Ps. 118.4 in 2007 and Ps. 147.8 in 2008. As of June 30, 2008, the occupancy rate in Abasto was 99.6%.

Abasto s five largest tenants (in terms of sales in this shopping center) accounted for approximately 11.8% of Abasto s gross leasable area as of June 30, 2008 and approximately 8.7% of the annual base rent for the fiscal year ended on such date.

Alto Palermo, City of Buenos Aires

Alto Palermo is a 143-store shopping center which opened in 1990 in a well-known middle class and densely populated neighborhood named Palermo in the City of Buenos Aires. Alto Palermo is located at the intersection of Santa Fe and Coronel Díaz avenues, only a few minutes from downtown Buenos Aires with nearby access from the Bulnes subway station. Alto Palermo has a total constructed area of 65,029 square meters that consists of 18,551 square meters of gross leasable area. The shopping center has an entertainment center and a food court with 19 restaurants. Alto Palermo is spread out over four levels and has a 654-car pay parking lot of 32,405 square meters. In 1992 Alto Palermo was awarded a prize from the International Council of Shopping Centers for its overall design and appearance. Alto Palermo s targeted clientele consists of middle-income individuals between the ages of 28 and 40. In January 2007 Alto Palermo started a substantial renovation of this shopping center that was partially finished in May, 2008. This renovation includes the modification of Coronel Díaz s front, the low bridge Arenales street, the access on Santa Fe, the food court, and general renovations inside the mall.

During fiscal year ended June 30, 2008, visitors to the shopping center generated total retail sales in nominal value of approximately Ps. 631,8 million, which represented sales per square meter of approximately Ps. 34,058.6. Revenues from leases increased from approximately Ps.57.7 million for the fiscal year 2007 to Ps.70.3 million for the fiscal year 2008, which represented monthly revenues per gross leasable square meter of Ps. 264.2 in 2007 and Ps.315.9 in 2008. As of June 30, 2008, the occupancy rate in Alto Palermo was 100%.

Alto Palermo s five largest tenants (in terms of sales in this shopping center) accounted for approximately 17.4% of its gross leasable area at June 30, 2008 and approximately 9.2% of its annual base rent for the fiscal year ended on such date.

Alto Avellaneda, greater Buenos Aires area

Alto Avellaneda is a 142-store suburban shopping center that opened in October 1995 and is located in the City of Avellaneda, which is on the southern border of the City of Buenos Aires. This shopping center is next to a railway terminal and is close to downtown Buenos Aires. Alto Avellaneda has a total constructed area of 108,598.8 square meters which consists of 37,030 square meters of gross leasable area and common areas covering 23,712 square meters. The shopping center has a multiplex cinema with six movie theatres, the first Wal-Mart superstore in Argentina, a bowling center, an entertainment center, a food court with 17 restaurants and an anchor store, Falabella, that opened April 28, 2008. Wal-Mart (not included in gross leasable area) purchased the space it occupies, but it pays for its pro rata share of the common expenses of Alto Avellaneda. The shopping center is contained mostly on one floor, with the cinema located on the second floor, and has a 2,700-car free parking lot consisting of 47,856 square meters. Alto Avellaneda Shopping s targeted clientele consists of middle-income individuals between the ages of 16 and 30.

During the fiscal year ended June 30, 2008, visitors to the shopping center generated total retail value of approximately Ps.560.7 million which represents sales per square meter of approximately Ps.15, 141.6. Revenues from leases increased from approximately Ps.31.2 million for the fiscal year 2007 to Ps.40.5 million for the fiscal year 2008 which represent monthly revenues per gross leasable square meter of Ps.95.3 in 2007 and Ps.91.2 in 2008. As of June 30, 2008, the occupancy rate in Alto Avellaneda was 99.8%.

Alto Avellaneda s five largest tenants (in terms of sales in this shopping center) accounted for approximately 34.7% of its gross leasable area as of June 30, 2008 and approximately 12.2% of its annual base rent for the fiscal year ended on such date.

Buenos Aires Design, City of Buenos Aires

Buenos Aires Design is a shopping center with 63 stores specialized in interior and home decoration stores which opened in 1993. Alto Palermo owns a 54% interest in Emprendimiento Recoleta S.A. (ERSA), the company which has the concession to operate Buenos Aires Design. The other shareholder of ERSA is o Grupo Bapro S.A.with a 44% interest.

As a result of a public auction, in February 1991, the City of Buenos Aires granted to ERSA a 20-year concession to use a plot of land in the Centro Cultural Recoleta. There can be no assurance that the City of Buenos Aires will extend the term of this concession upon its expiration. The concession agreement provides for ERSA to pay the City of Buenos Aires a monthly amount of Ps. 20,168. It establishes that the concession may be terminated for any of the following reasons, among others:

- material breach of the obligations of the parties, which with regard to ERSA include: (i) breach of applicable law, (ii) change of the purpose of the area under concession; (iii) non payment of the monthly fee for two consecutive periods;
- destruction or abandonment of the area under concession;
- bankruptcy or liquidation;
- restitution of the plot of land under concession, which shall only take place for public interest reasons.

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In June 1991, Alto Palermo entered into an agreement with the shareholders of ERSA providing Alto Palermo s administration of Buenos Aires Design for a monthly administration fee of approximately Ps. 12,000 plus VAT.

Buenos Aires Design is in a high-income neighborhood named Recoleta in the City of Buenos Aires, near Libertador Avenue and downtown Buenos Aires. Buenos Aires Design is located in one of Buenos Aires most popular tourist attraction areas. Many exclusive hotels and restaurants are located in this area, and the shopping center is close to the National Museum of Fine Arts, the Museum of Modern Art and other popular cultural institutions.

Buenos Aires Design has a total constructed area of 26,131.5 square meters that consists of 14,069 gross meters of leasable area. The shopping center has five restaurants anchored by the Hard Rock Café and a terrace that covers 3,700 square meters. The shopping center is divided into two floors and has a 174-car pay parking lot. Buenos Aires Design s targeted clientele consists of upper-middle income individuals between the ages of 25 and 45.

During the fiscal year ended June 30, 2008, visitors to the shopping center generated total retail sales in nominal value of approximately Ps. 132.9 million which represents sales per square meter of approximately Ps. 9,450. Revenues from leases increased from approximately Ps. 10.4 million for the fiscal year 2007 to Ps. 12 million for the fiscal year 2008 which represent monthly revenues per gross leasable square meter of Ps. 61.7 in 2007 and Ps. 71.2 in 2008. As of June 30, 2008, the occupancy rate in Buenos Aires Design was 100%.

Buenos Aires Design s five largest tenants (in terms of sales in this shopping center) accounted for approximately 22.9% of Buenos Aires Design s gross leasable area on June 30, 2008 and approximately 20.1% of its annual base rent for the fiscal year ended on such date.

Paseo Alcorta, City of Buenos Aires

Paseo Alcorta is a 111-store shopping center which opened in 1992, located in the residential area of Palermo Chico, one of the most exclusive areas in the City of Buenos Aires, and a short drive from downtown Buenos Aires, has a total constructed area of approximately 87,553.8 square meters that consists of 14,465 square meters of gross leasable area. Paseo Alcorta has a food court with 17 restaurants and a Carrefour hypermarket on the ground floor. Carrefour purchased the space it occupies but pays for its pro rata share of the common expenses of the shopping center. Paseo Alcorta is spread out over three shopping center levels and has a parking lot for approximately 1,300 cars. Paseo Alcorta s targeted clientele consists of high-income individuals between the ages of 34 and 54.

During the fiscal year ended June 30, 2008, visitors to the shopping center generated total retail sales in nominal value of approximately Ps.385.5 million which represents sales per square meter of approximately Ps.26,652. Revenues from leases increased from approximately Ps 31.2 million for the fiscal year 2007 to Ps.37.4 million for the fiscal year 2008, which represent monthly revenues per gross leasable square meter of Ps.180.8 in 2007 and Ps.215.5 in 2008 As of June 30, 2008, the occupancy rate in Paseo Alcorta was 99.5%.

Paseo Alcorta s five largest tenants (in terms of sales in this shopping center) accounted for approximately 14.2% of Paseo Alcorta s gross leasable area at June 30, 2008 and approximately 9.2% of its annual base rent for the fiscal year ended on such date.

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Patio Bullrich, City of Buenos Aires

Patio Bullrich is an 80-store shopping center which opened in 1988 and the first shopping center to start operations in the City of Buenos Aires. Alto Palermo acquired Patio Bullrich on October 1, 1998 for US$ 72.3 million.

Patio Bullrich is in the neighborhood of Recoleta, one of the most prosperous areas of the City of Buenos Aires. This district is a residential, cultural and tourist center that includes distinguished private homes, historical sites, museums, theatres and embassies. The shopping center is located within walking distance of prestigious hotels and the subway, bus and train systems. Additionally, the shopping center is only 10 minutes by car from the downtown area of the City of Buenos Aires.

Patio Bullrich has a total constructed area of 29,982 square meters that consist of 11,685 square meters of gross leasable area and common areas covering 12,472 square meters. The shopping center has a multiplex cinema with four- movie theatres complex with 1,381 seats, an entertainment area of 3,066 square meters and a food court of 14 restaurants. The center is spread out over four levels and has a pay parking lot for 215 cars in an area consisting of 4,825 square meters.

Patio Bullrich is one of the most successful shopping centers in Argentina in terms of sales per square meter. Its targeted clientele consists of high-income individuals aged 45 and above.

During the fiscal year ended June 30, 2008, visitors to the shopping center generated total retail sales of approximately Ps. 271.4 million that represent sales per square meter of approximately Ps. 23,227. Revenues from leases increased from approximately Ps. 25.4 million for the fiscal year 2007 to Ps. 28.9 million for the fiscal year 2008, which represent monthly revenues per gross leasable square meter of Ps. 192.6 in 2007 and Ps. 205.9 in 2008. As of June 30, 2008, the occupancy rate in Patio Bullrich was 100%.

Patio Bullrich s five largest tenants (in terms of sales in the shopping center) accounted for approximately 18.3% of Patio Bullrich s gross leasable area at June 30, 2008 and approximately 12.7% of its annual base rent for the fiscal year ended on such date.

Alto Noa, City of Salta

Alto Noa is an 89-store shopping center that opened in 1994. Alto Noa is located in the City of Salta, the capital of the Province of Salta, in the northwestern region of Argentina. The province of Salta has a population of approximately 1.2 million inhabitants with approximately 0.6 million inhabitants in the City of Salta. The shopping center has a total constructed area of approximately 30,876 square meters which consists of 18,851 square meters of gross leasable area. Alto Noa has a food court with 14 restaurants, a large entertainment center, a supermarket and a multiplex cinema with eight movie theatres. The shopping center is contained on one floor and has a free parking lot for 551 cars. Alto Noa s targeted clientele consists of middle-income individuals between the ages of 28 and 40.

On May 29, 1998, Alto Palermo entered into a lending facility agreement with Hoyts which established the terms of the construction and for the lease of space to operate a cinema complex in Alto Noa. Pursuant to this agreement, Hoyts agreed to finance up to US$ 4.0 million of the cost of the construction of the part of the building where the cinema complex would be located. Construction was completed in August 2000, at which time Hoyts started leasing the space for a period of ten years with options for Hoyts to renew the lease for two additional consecutive ten-year periods. As of October 2000, borrowings under the facility totaled US$ 4.0 million. These borrowings accrue interest at the six-month LIBOR plus 2.25%. Under the agreement, borrowings are being repaid by offsetting against the rent payable by Hoyts Cinema. The amount outstanding under this loan as of June 30, 2008 was Ps 3.7 million. If after 30 years of lease, the loan has not been repaid in its entirety, the remaining balance shall become due. Pursuant to Decree No. 214/02, the loan and the lease agreements, which were originally denominated in U.S. Dollars, were mandatorily converted into Pesos.

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During the fiscal year ended June 30, 2008, visitors to the shopping center generated total retail sales in nominal value of approximately Ps. 173.9 million, which represents sales per square meter of approximately Ps. 9,230. Revenues from leases increased from approximately Ps. 6.6 million for the fiscal year 2007 to Ps. 9.6 million for the fiscal year 2008 which represent monthly revenues per gross leasable square meter of Ps. 29.4 in 2007 and Ps. 42.5 in 2008. As of June 30, 2008, the occupancy rate in Alto Noa was 100%.

Alto Noa s five largest tenants (in terms of sales in this shopping center) accounted for approximately 33% of Alto Noa s gross leasable area at June 30, 2008 and approximately 16.4% of its annual base rent for the fiscal year ended on such date.

Mendoza Plaza, City of Mendoza

Mendoza Plaza is a 152-store shopping center which opened in 1992 and is in the City of Mendoza, the capital of the Province of Mendoza. As of June 30, 2008 Alto Palermo own a 100% interest in Mendoza Plaza Shopping S.A. The city of Mendoza has a population of approximately 1.0 million inhabitants, making it the fourth largest city in Argentina. Mendoza Plaza consists of 39,688 square meters of gross leasable area. Mendoza Plaza has a multiplex cinema covering an area of approximately 3,659 square meters with ten movie theatres, the Chilean department store Falabella, a food court with 20 restaurants, an entertainment center and a supermarket which is also a tenant. The shopping center has two levels and has a free parking lot for 2,600 cars. Mendoza Plaza s targeted clientele consists of middle-income individuals between the ages of 28 and 40.

During the fiscal year ended June 30, 2008, shopping center visitors generated total retail sales in nominal value of approximately Ps.433.4 million, which represents sales per square meter of approximately Ps.10,920. Revenues from leases increased from approximately Ps. 18.8 million for the fiscal year 2007 to Ps.24.2 million for the fiscal year 2008 which represent monthly revenues per gross leasable square meter of Ps.39.7 in 2007 and Ps.50.9 in 2008. As of June 30, 2008, the occupancy rate in Mendoza Plaza Shopping was approximately 97.7%.

Mendoza Plaza s five largest tenants (in terms of sales in this shopping center) accounted for approximately 33.5% of Mendoza Plaza s gross leasable area at June 30, 2008 and approximately 21% of its annual base rent for the fiscal year ended on such date.

Alto Rosario, City of Rosario

Alto Rosario is a 145-store shopping center located in the city of Rosario, the third largest city in Argentina in terms of population. It has a total constructed area of approximately 100,750 square meters, which consists of 28,561 square meters of gross leasable area. Alto Rosario has a food court with 15 restaurants, a large entertainment center, a supermarket and a Showcase cinema with 14 state-of-the-art movie theatres. The shopping center occupies on one floor and has a free parking lot for 1,736 cars. Alto Rosarios s targeted clientele consists of middle-income individuals between the ages of 28 and 40.

During the fiscal year ended June 30, 2008, visitors to the shopping center generated total retail sales in nominal value of approximately Ps. 271.3 million, which represents sales per square meter of approximately Ps. 9,500. Revenues from leases increased from approximately Ps. 15.5 million for the fiscal year 2007 to Ps. 20.0 million for the fiscal year 2008, which represent monthly revenues per gross leasable square meter of Ps. 42.6 in 2007 and Ps. 58.5 in 2008. As of June 30, 2008, the occupancy rate in Alto Rosario was 99.2%.

Alto Rosario s five largest tenants (in terms of sales in this shopping center) accounted for approximately 37.4% of Alto Rosario s gross leasable area at June 30, 2008 and approximately 10.3% of its annual base rent for the fiscal year ended on such date.

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Córdoba Shopping Villa Cabrera.

On July 7, 2006, Alto Palermo executed a share purchase agreement jointly with Alto Palermo s subsidiary Shopping Alto Palermo S.A. for the acquisition of all the shares held by Empalme S.A.I.C.F.A. y G., owner of Córdoba Shopping Villa Cabrera. The price agreed upon for such transaction was set at a gross amount of US$12.0 million plus a variable amount (originally established in the contract), that was determined at Ps.4 million. The Company s incorporation was effective on December 31, 2006. To date, Alto Palermo s and its subsidiary Shopping Alto Palermo S.A. paid over US$10 million and the amount related to the year-end adjustment . As of June 30, 2008, one US$2.0 million installments is pending payment; such installment will become due and payable semi-annually as from December 2008, accruing interest at 6.0% p.a. To secure the unpaid payment price, Alto Palermo has pledged in favor of the sellers 100% of Alto Palermo s equity interests in Empalme. Upon repaying each of the remaining installments, the encumbrance will be partially lifted.

As of December 16, 2008 the fourth installment was cancelled and the encumbrance was lifted.

Córdoba Shopping Villa Cabrera is a shopping center covering 35,000 square meters of surface area, which consists of 10,117 square meters of gross leasable area. Córdoba Shopping has 104 commercial stores, 12 cinemas and parking lot for 1,500 vehicles, located in Villa Cabrera, City of Córdoba. This investment represents for us a growing opportunity in the commercial centers segment in line with the expansion strategy and presence in the principal markets inside the country.

During the fiscal year ended June 30, 2008, visitors to the shopping center generated total retail sales in nominal value of approximately Ps. 120.8 million, which represents sales per square meter of approximately Ps. 11,943. Revenues from leases for the fiscal year 2008 were Ps. 10.6 million, which represent monthly revenues per gross leasable square meter of Ps. 87.1. As of June 30, 2008, the occupancy rate was 97.2%.

Córdoba Shopping s five largest tenants (in terms of sales in this shopping center) accounted for approximately 13.7% of Córdoba Shopping s gross leasable area at June 30, 2008 and approximately 7.6% of its annual base rent for the fiscal year ended on such date.

New Projects and Undeveloped Properties.

Renovation works at existing shopping centers.

During the fiscal year ended June 30, 2008, Alto Palermo completed several renovation projects in its shopping centers. Alto Palermo continued the construction of parking spaces in Paseo Alcorta shopping center which is expected to open shortly. The anchor store, Falabella was opened in Alto Avellaneda shopping center.

In Patio Bullrich, Alto Palermo finished the Yenny store during the first days after the closing of the quarter, and made progress in the construction of the buildings adjacent to the Shopping center. Alto Palermo also renovated the Coronel Díaz avenue facade, the Santa Fe avenue access, and the food court of the Alto Palermo shopping center and as of June 30, 2008, Alto Palermo was close to finishing the under-bridge in Arenales Street and improvements to the shopping centers interiors. Alto Palermo Shopping Center s re-launching was accompanied by the addition of new tenants, which has generated a higher number of customers and, enhanced the sales of the other tenants.

Panamerican Mall Project, City of Buenos Aires.

In December 2006, Alto Palermo entered into several agreements for the construction, commercialization, and administration of a new shopping center to be developed in the Saavedra neighborhood, in the City of Buenos Aires, by Panamerican Mall S.A. This project includes the construction of a shopping center, a hypermarket, cinemas, and an office building and/or a residential building. The completed project will cover an area of over 50,000 m^2 of gross leasable area. This is one of the most important project in Alto Palermo s pipeline. In the first half of March 2007, Alto Palermo started the construction of the shopping center, and Alto Palermo believes that it will be open in the first half of 2009.

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Barter transaction agreement.

In October 2007, Alto Palermo entered into a barter agreement with Condominios del Alto S.A. pursuant to which Alto Palermo bartered a plot of land located in Rosario, Province of Santa Fe for 15 apartments and 15 parking spaces of the total units to be constructed on the land. Under this agreement, Alto Palermo will have a 14.85% and 15% of the total square meters covered by the apartments and garages, respectively. The total value of the transaction is US$ 1.1 million. Upon signing the agreement, Condominios del Alto S.A. paid Alto Palermo US$ 15,300 and assumed certain obligations. Condominios del Alto S.A. (i) guaranteed the transaction by mortgaging the land in favor of Alto Palermo for US$ 1.1 million; (ii) established a security insurance of US$ 1.6 million in Alto Palermo s favor; and (iii) made the shareholders of Condominios del Alto S.A. guarantors of its obligations up to the amount of US$ 0.8 million.

Alto Palermo also, entered into another barter agreement with Condominios del Alto S.A. pursuant to which Alto Palermo bartered another plot of land for 42 apartments and 47 parking spaces of the total units to be constructed on the land. Under this agreement, Alto Palermo will have 22% of the total square meters covered by the apartments and garages, respectively. The total value of the transaction is US$ 2.3 million.

Torres Rosario, City of Rosario.

Alto Palermo owns a plot of land of about 50,000 m2 in theCity of Rosario , in the same place where Alto Palermo s shopping center Alto Rosario Shopping . On October 11, 2007, entered into a barter agreement with Condominios del Alto S.A. whereby Alto Palermo exchanged a fraction of lot 2-g, with a total area of 7,901.30 m^2, for 15 units to be built with an area of 1,504.45 m^2 and 15 parking spaces. During the fiscal year ended, there has been work progress in the site, its completion being estimated for the first months of the calendar year 2009.

Acquisition of Patio Olmos.

In November 2006, Alto Palermo acquired from the Provincial Government of Cordoba a property known as Edificio Ex Escuela Gobernador Vicente de Olmos (Olmos) located in Cordoba, Argentina for an aggregate purchase price of Ps. 32.5 million, of which Alto Palermo made a down payment of Ps. 9.7 million as of that date. The property, which is located in the City of Cordoba, is a 5,147 square meter four-story building. The property is leased to an unrelated party who exploits the building as a shopping center. Alto Palermo did not acquire any rights to the shopping center business. The transaction was pending certain approvals which were obtained in September 2007 when the deed was signed and the remaining balance paid.

Caballito Project.

Alto Palermos is the owners of a plot of land with an area of approximately 25,539 m2 in the City of Buenos Aires, in the Caballito neighborhood. This land could be allocated to the construction of a shopping center. Alto Palermo has not yet obtained the authorization from the Government of the City of Buenos Aires to develop the shopping center in this site, and Alto Palermo cannot assure you that Alto Palermo will obtain it.

Exercise of option.

In August 2007, Alto Palermo exercised the option to purchase a 75% interest in a company engaged in the development of a cultural, recreational and entertainment complex in the Palermo neighborhood in Buenos Aires. Alto Palermo paid US$ 0.6 million for the option which is accounted for under non current investments. The purchase is subject to certain approvals by the regulatory authorities which have not been obtained as of the date of these financial statements. Should the approvals be obtained, Alto Palermo has committed to invest approximately US$ 24.4 million.

Coto Residential Project.

Alto Palermo is the owners of an air space of about 24,000 m2 above Coto Hypermarket, close to Alto Palermo s Abasto Shopping Center, in downtown Buenos Aires. Alto Palermo S.A and Coto Centro Integral de Comercialización S.A. (Coto) executed a public deed on September 24, 1997, whereby Alto Palermo acquired the rights to receive parking units and the rights to construct above the building located between Agüero, Lavalle, Guardia Vieja and Gallo Streets, in the Abasto neighborhood of Buenos Aires.

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In July, 2008 Alto Palermo entered into a barter agreement with CYRSA pursuant to which Alto Palermo is subject to certain closing conditions, would surrender to CYRSA its right to construct a tower over a preexisting structure (owned by a third party) in exchange for deminimis cash (US$ 0.1 million) and 25% of the housing units in the future buildings. The total fair value of the transaction is US$ 5.9 million.

Acquisition of Soleil Factory, Province of Buenos Aires.

On December 28, 2007, Alto Palermo entered into an agreement with INCSA, an unrelated party, for the acquisition of the Soleil Factory shopping center business for an aggregate purchase price of US$ 20.7 million, of which US$ 8.1 million were paid and recorded as supplier advances. The transaction is subject to certain conditions. Upon fulfillment of the conditions and transfer of the business, the remaining balance of the purchase price amounting to US$12.6 million will accrue fixed interest at 5% per year. This balance will be paid in seven annual and consecutive installments starting on the first anniversary of the signing of the contract. As part of the same agreement, Alto Palermo entered into an offer to acquire, construct and operate a shopping center on land belonging to INCSA located in San Miguel de Tucuman, Province of Tucuman, in the northwest of Argentina. This transaction is also subject to the completion of the Soleil Factory transaction among other conditions. The parties determined the value of this transaction to be US$ 1.3 million.

Acquisition of Beruti Plot of Land.

In fiscal year 2008, Alto Palermo S.A. acquired a plot of land located at Beruti 3351/9, in the Palermo neighborhood, of the City of Buenos Aires. The property is 3,207 m^2 and was acquired for US$ 17.8 million. The significance of this acquisition lies on the strategic location of the property, close to Alto Palermo, its main shopping center.

Neuquén Project.

The main asset of Shopping Neuquén S.A. is a 50,000 m^2undeveloped parcel of land located in Neuquén, Argentina, where Alto Palermo intends to develop a commercial project including the construction of a shopping center, and a hypermarket.

On December 13, 2006, Shopping Neuquén S.A. entered into an agreement with the Municipality of Neuquén and with the Province of Neuquén which rescheduled the terms of the commercial and residential venture and authorized Shopping Neuquén S.A. to transfer to third parties the title to the plots of land, provided that it is not the one on which the Shopping Center will be built. This agreement was conditional on the ratification of the agreement by means of an ordinance of the legislative body of the Municipality of Neuquén, and on the approval of the architectonic project and the extension of the environmental impact research study by the Municipality.

After registering the blueprints for the project, Shopping Neuquén S.A. has to start the works within a term of 90 days. The first stage of the work (a minimum of 21,000 square meters of the Shopping Center and 10,000 square meters of the hypermarket) should be concluded in a maximum of 22 months from the construction starting date. In case of default in any of the covenants established in the agreement, the Municipality of Neuquén is entitled to terminate the agreement.

This agreement put an end to the lawsuit *Shopping Neuquén S.A. against Municipalidad de Neuquén on Administrative Action* before the High Court of Neuquén.

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Principal Terms of Alto Palermo s Leases

Under Argentine Law, terms of commercial leases must be between three to ten years, with most leases in the shopping center business having terms of no more than five years. Alto Palermo s lease agreements are generally denominated in Pesos.

Decree No. 214/2002 and Decree No. 762/2002, which modify Public Emergency Law No. 25,561, determine that duties to turn over sums of money which are denominated in U.S. dollars and which are not related to the financial system as of January 7, 2002 are subject to the following:

- obligations will have to be paid in Pesos at a rate of Ps.1.00 = US$1.00. Additionally, these obligations are subject to inflation adjustment through the CER index;

- if, as a consequence of this adjustment, the agreement is unfair to any of the parties, as long as the party that has the obligation to pay is not overdue and the adjustment is applicable, either may ask the other for a fairness adjustment. If they do not reach an agreement, a court will make the decision in order to preserve the continuity of the contract relation in a fair way; and

- new lease agreements may be freely entered into between parties, even U.S. dollar denominated lease agreements.

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

Alto Palermo charges its tenants a rent which consists of the higher of (i) a monthly base rent (the Base Rent) and (ii) a specified percentage of the tenant s monthly gross sales in the store (the Percentage Rent) (which generally ranges between 4% and 10% of tenant s gross sales). Furthermore, pursuant to the rent escalation clause in most leases, a tenant s Base Rent generally increases between 4% and 12% each year during the term of the lease. Although many of Alto Palermo s lease agreements contain readjustment clauses, these are not based on an official index nor do they reflect the inflation index. In the event of litigation, there can be no assurance that Alto Palermo may be able to enforce such clauses contained in Alto Palermo s lease agreements.

In addition to rent, Alto Palermo charges most of its tenants an admission right, which is required to be paid upon entering into a lease agreement and upon a lease agreement renewal. The admission right is normally paid in one lump sum or in a small number of monthly installments. If the tenant pays this fee in installments, it is the tenant s responsibility to pay for the balance of any such amount unpaid in the event the tenant terminates its lease prior to its expiration. In the event of unilateral termination and/or resolution for breach of duties by the tenant, a tenant will not be refunded its admission right without Alto Palermo s consent.

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

Alto Palermo carries out promotional and marketing activities to increase attendance to Alto Palermo s shopping centers. These activities are paid for with the tenants´ contributions to the Common Promotional Fund (CPF), which is administered by us. Every month tenants contribute to the CPF an amount equal to approximately 15% of their rent (Base Rent plus Percentage Rent), in addition to rent and expense payments. Alto Palermo may increase the percentage that tenants must contribute to the CPF, but the increase cannot exceed 25% of the original amount set forth in the corresponding lease agreement for the contributions to the CPF. Alto Palermo may also require tenants to make extraordinary contributions to the CPF to fund special promotional and marketing campaigns or to cover the costs of special promotional events that benefit all tenants. 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 us. Alto Palermo has the option to decide tenants responsibility for all costs incurred in remodeling the rental units and for removing any additions made to the rental unit when the lease expires. Furthermore, tenants are responsible for obtaining adequate insurance for their rental units, which must include, among other things, coverage for fire, glass breakage, theft, flood, civil liability and workers compensation.

Control Systems

Alto Palermo has computer systems to monitor tenants sales in all of its shopping centers. Alto Palermo also conducts regular manual audits of its tenants accounting sales records in all of our shopping centers. Almost every store in those shopping centers has a computerized cash register that is linked to a main computer server in the administrative office of such shopping center. Alto Palermo uses the information generated from the computer monitoring system for auditing the Percentage Rent to be charged to each tenant and use the statistics regarding total sales, average sales, peak sale hours, etc., for marketing purposes. The lease contracts for tenants in Alto Avellaneda, Alto Palermo, Paseo Alcorta, Patio Bullrich, Buenos Aires Design (only with respect to agreements signed after its acquisition), Abasto, Alto Rosario Shopping, Alto Noa, Empalme and Mendoza Plaza Shopping contain a clause requiring tenants to be linked to the computer monitoring system.

Related Business

Consumer Financing Segment

Alto Palermo participates in the consumer financing business through its subsidiary Tarshop, in which it holds a 93.4% interest as of November 30, 2008. Tarshop is a non-regulated entity, operating in the issue, processing and marketing of its own non-banking credit card called *Tarjeta Shopping,* and grants loans and personal credits.

Tarshop competes in the two key businesses of the consumer financing market: purchase and credit cards and personal loans. In addition, Tarshop competes in the personal loans segment on the basis of two clearly differentiated product lines: cash loans and direct financing at stores.

As a result of a new commercial strategy implemented by Tarshop based on its positioning as one of the leading companies in the consumer financing market, and in view of the progress in personal loans reflected in the total sales of Tarshop, Alto Palermo has decided to change the name of its *Credit Card* segment to *Consumer financing*, to more accurately reflect Tarshop s business.

As of June 30, 2008, Tarshop had 894,000 customer accounts of which 640,000 had unpaid balances, an average indebtedness of Ps. 1,630 per account. The total loan portfolio amounted to Ps. 1,044.6 million, 78% of which was securitized through the Tarjeta Shopping Financial Trusts Program.

Alto Palermo derives major sales from the credit card line, which in the fiscal year ended on June 30, 2008, accounted for 74% of total sales, amounting to Ps. 1,413.8 million (an average monthly amount of Ps. 117.8 million). As of this filing Tarshop has issued 958,000 cards including main holders and additional holders, and since 2005, it has issued, an average of over 11,000 cards for main holders each year.

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During the same period, the personal loans business line generated 26% of average monthly sales. In recent years, personal loans granted have increased, amounting to Ps. 502 million for the fiscal year ended on June 30, 2008.

As of June 30, 2008, Tarshop had a commercial network that comprised 29 points of sale, spread in the City of Buenos Aires, Greater Buenos Aires, Córdoba, Tucumán, Salta, and Jujuy. As at June 30, 2008, there were over 45,000 stores accepting its credit cards, 46% of which regularly made transactions and generated over 7.5 million transactions during the year.

Tarshop also owns 50% of the capital stock of Metroshop S.A.; the remaining 50% is owned by Metronec S.A., a subsidiary of Roggio S.A. This company is engaged in marketing credit cards by the addition of a chip that grants automatic access to the main means of transport and by making personal loans through an independent distribution network. Tarshop processes the products marketed by Metroshop.

The table below contains information about of Alto Palermo s consumer financing business for the relevant fiscal years: