CRESUD INC
Form 20-F
December 29, 2005
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UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM 20-F

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

OR

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

For the fiscal year ended: June 30, 2005

OR

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

For the transition period from ______ to ______

¨ **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 ________

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)

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, 2005 was:

Shares of Common Stock	**162,784,579**

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

Indicate by check mark which financial statement item the registrant has elected to follow. Item 17 ¨ Item 18 x

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

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CRESUD SOCIEDAD ANÓNIMA COMERCIAL

INMOBILIARIA FINANCIERA Y AGROPECUARIA

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DISCLOSURE REGARDING FORWARD-LOOKING INFORMATION

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 beginning on page 12.

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 Form 20-F, 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.

In this Form 20-F, references to Tons , tons or Tns. are to metric tons, to kgs are to

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

PRESENTATION OF FINANCIAL AND CERTAIN OTHER INFORMATION

In this annual report, references to US$ and U.S. Dollars are to United States Dollars, and references to Ps. , Peso or Pesos are to Argentine Pesos.

This annual report contains our audited consolidated financial statements as of June 30, 2005 and 2004 and for the years ended June 30, 2005, 2004 and 2003. Our consolidated financial statements have been audited by Price Waterhouse & Co. S.R.L., member firm of PricewaterhouseCoopers, independent auditors, whose report is included herein. Except as discussed in the following paragraph, we prepare our consolidated financial statements in Pesos and in conformity with Argentine GAAP and the regulations of the National Securities Commission (*Comisión Nacional de Valores*), which differ in certain significant respects from U.S. GAAP. Such differences involve methods of measuring the amounts shown in our financial statements, as well as additional disclosures required by U.S. GAAP and Regulation S-X of the U.S. Securities and Exchange Commission (SEC). See Note 16 to our consolidated financial statements contained elsewhere in this annual report for a description of the principal differences between Argentine GAAP and U.S. GAAP, as they relate to us, and a reconciliation to U.S. GAAP of net income and shareholders equity.

As discussed in Note 3.k to our financial statements, contained elsewhere in this annual report, in order to comply with regulations of the *Comisión Nacional de Valores*, we recognized deferred income tax assets and liabilities on a non-discounted basis. This accounting practice represents a departure from generally accepted accounting principles in Argentina. However, such departure has not had a material effect on the accompanying financial statements.

Additionally, as discussed in Note 2.c) to our consolidated financial statements, contained elsewhere in this annual report, after having considered inflation levels for the first months of 2003, on March 25, 2003, the Argentine government has repealed the provisions of the previous decree related to the inflation adjustment and has instructed the *Comisión Nacional de Valores* to issue the necessary regulations to preclude companies under its supervision from presenting price-level restated financial statements. Therefore, on April 8, 2003, the *Comisión Nacional de Valores* has issued a resolution providing for the discontinuance of inflation accounting as of March 1, 2003. We have complied with the *Comisión Nacional de Valores* resolution and we have accordingly recorded the effects of inflation until February 28, 2003. Comparative figures have also been restated until that date, using a conversion factor of 1.1232.

On January 12, 2005 the Council of Economic Sciences of the City of Buenos Aires (*Consejo Profesional de Ciencias Económicas de la Ciudad Autónoma de Buenos Aires,* or CPCECABA) approved Technical Resolution No. 22 Agricultural Activities which establishes specific standards related to our business. At the date of issuance of our consolidated financial statements, the *Comisión Nacional de Valores* has not approved this standard, which is effective as from July 1, 2005.

Since Argentine GAAP required companies to discontinue inflation adjustments only as from October 1, 2003, the application of the *Comisión Nacional de Valores* resolution represents a departure from generally accepted accounting principles. 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 accompanying consolidated financial statements.

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Until February 28, 2003 our consolidated financial statements had been prepared on the basis of general price-level accounting which reflects changes in the purchasing power of the Peso in our historical financial statements using changes in the Argentine wholesale price index, as published by the National Institute of Statistics and Census (*Instituto Nacional de Estadística y Censos,* or INDEC), as follows:

we have adjusted non-monetary items and consolidated statements of income amounts to reflect the then current general purchasing power;

we have not adjusted monetary items as such items were, by their nature, stated in terms of current general purchasing power in our consolidated financial statements;

we have recognized monetary gains or losses in our consolidated statements of income, reflecting the effect of holding monetary items; and

we have included the gain or loss on exposure to inflation (monetary gain or loss) in our consolidated statements of income within total financing results, net.

Also contained in this annual report are the consolidated financial statements of IRSA Inversiones y Representaciones Sociedad Anónima (IRSA), an unconsolidated equity investment, as of June 30, 2005 and 2004 and for the years ended June 30, 2005, 2004 and 2003, which have been audited by Price Waterhouse & Co. S.R.L., member firm of PriceWaterhouseCoopers, independent auditors, whose report is included herein. As of June 30, 2005, IRSA has a significant equity investment in *Banco Hipotecario S.A* .which accounts for approximately 9 % of IRSA s total consolidated assets.

There are certain uncertainties that could affect *Banco Hipotecario* primarily in connection with the effect of the matters that are still pending resolution by the Government regarding the settlement of the receivables recognized as a result of the asymmetric pesification and indexation. In addition, *Banco Hipotecario* has a significant credit exposure to the public sector. The future outcome of the uncertainties described before could have an adverse effect in the valuation of this investment in IRSA.As mentioned in Note 4.b) to our consolidated financial statements, as of June 30, 2005 we owned a 21.8% equity interest in IRSA.

Except as discussed in the following paragraph, IRSA prepares its financial statements in Pesos and in conformity with Argentine GAAP and the regulation 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 23 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, contained elsewhere in this annual report, 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 represents a departure from generally accepted accounting principles in Argentina. However, such departure has not had a material effect on the accompanying financial statements.

Additionally, as discussed in Notes 2.c. to IRSA s financial statements, contained in this annual report, after considering inflation levels for the second half of 2002 and the first months of 2003, on March 25, 2003, the Argentine government repealed the provisions of the previous decree related to the inflation adjustment and instructed the *Comisión Nacional de Valores* to issue the necessary regulations to preclude companies under its supervision from presenting price-level restated financial statements. Therefore, on April 8, 2003, the *Comisión Nacional de Valores* issued a resolution providing for the discontinuance of inflation accounting as of March 1, 2003. IRSA complied with the *Comisión Nacional de Valores* resolution and accordingly recorded the effects of inflation until February 28, 2003. Comparative figures were restated until that date, using a conversion factor of 1.1237.

Since Argentine GAAP required companies to discontinue inflation accounting only as from October 1, 2003, the application of the *Comisión Nacional de Valores* resolution represents a departure from generally accepted accounting principles. However, due to the low level of inflation rates during the period from March to September 2003, such a departure has not had a material effect on the accompanying financial statements.

Certain amounts which appear in this annual report (including percentage amounts) may not sum due to rounding. You should not construe the translations as a representation that the amounts shown could have been, or could be, converted into U.S. Dollars at that or any other rate.

References to fiscal years 2001, 2002, 2003, 2004 and 2005 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 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, 2005, 2004 and 2003 and the selected consolidated balance sheet data as of June 30, 2005 and 2004 have been derived from our consolidated financial statements included in this annual report which have been audited by Price Waterhouse & Co. S.R.L., member firm of PricewaterhouseCoopers, Buenos Aires, Argentina, independent auditors. The consolidated statements of income data for the years ended June 30, 2002 and 2001 and the selected consolidated balance sheet data as of June 30, 2003, 2002 and 2001 have been derived from our audited consolidated financial statements that are not included herein.

As discussed in Note 3 to our financial statements, contained in this annual report, on January 14, 2003, the Professional Council of Economic Sciences of the City of Buenos Aires and the *Comisión Nacional de Valores* approved, with certain amendments, Technical Resolutions (*Resoluciones Técnicas)* No. 16, 17, 18, 19 and 20 issued by the Argentine Federation of Professional Council of Economic Sciences (*Federación Argentina de Consejos Profesionales en Ciencias Económicas*, or FACPCE), which establish new accounting and disclosure principles under Argentine GAAP. We adopted such standards on July 1, 2002, except for Technical Resolution No. 20, which we adopted on July 1, 2003. On February 19, 2003, the CPCECABA enacted Technical Resolution No. 21 Proportional Value consolidation of financial statements information to provide on Related Parties . We adopted such Technical Resolution on July 1, 2004. As required by Argentine GAAP, when issuing the 2003 Consolidated Financial Statements, we restate our prior year financial statements to give retroactive effect to the newly adopted accounting standards.

Our financial statements are presented in Pesos. Except as discussed in the following paragraph, our financial statements are prepared in accordance with Argentine GAAP, which differs in certain significant respects from U.S. GAAP. Note 16 to our consolidated financial statements provides a description of the main differences between Argentine GAAP and U.S. GAAP affecting our net income and shareholders equity and a reconciliation to U.S. GAAP of net income reported under Argentine GAAP for the years ended June 30, 2005, 2004 and 2003, and of shareholders equity reported under Argentine GAAP as of June 30, 2005 and 2004. The differences involve methods of measuring the amounts shown in the financial statements as well as additional disclosures required by U.S. GAAP and Regulation S-X of the SEC.

As discussed in Note 3.k to our financial statements, contained in this annual report, in order to comply with regulations of the *Comisión Nacional de Valores*, we recognized deferred income tax assets and liabilities on a non-discounted basis. This accounting practice represents a departure from generally accepted accounting principles in Argentina. However, we believe that such departure has not had a material effect on our financial statements.

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Additionally, as discussed in Note 2.c) to our consolidated financial statements, contained elsewhere in this annual report, after having considered inflation levels for the first months of 2003, on March 25, 2003, the Argentine government has repealed the provisions of the previous decree related to the inflation adjustment and has instructed the *Comisión Nacional de Valores* to issue the necessary regulations to preclude companies under its supervision from presenting price-level restated financial statements. Therefore, on April 8, 2003, the *Comisión Nacional de Valores* has issued a resolution providing for the discontinuance of inflation accounting as of March 1, 2003. We have complied with the *Comisión Nacional de Valores* resolution and we have accordingly recorded the effects of inflation until February 28, 2003. Comparative figures have also been restated until that date, using a conversion factor of 1.1232.

Since Argentine GAAP required companies to discontinue inflation adjustments as from October 1, 2003, the application of the *Comisión Nacional de Valores* resolution represents a departure from generally accepted accounting principles. However, due to low inflation rates during the period from March to September 2003, we believe that such a departure has not had a material effect on the accompanying consolidated financial statements.

Until February 28, 2003 our consolidated financial statements have been prepared on the basis of general price-level accounting which reflects changes in the purchasing power of the Peso in the historical financial statements using changes in the Argentine wholesale price index, as published by the *Instituto Nacional de Estadística y Censos*, as follows:

- we have adjusted non-monetary items and consolidated statements of income amounts to reflect the then-current general purchasing power;

- we have not adjusted monetary items, as such items were by their nature stated in terms of current general purchasing power in our consolidated financial statements;

- we have recognized monetary gains or losses in our consolidated statements of income, reflecting the effect of holding monetary items; and

- we have included the gain or loss on exposure to inflation (monetary gain or loss) in our consolidated statements of income within total financing results.

	As of the year ended June 30					
	2005 (2)	**2005**	**2004**	**2003 (1)**	**2002 (1)**	**2001 (1)**
	(US$)	**(Ps.)**	**(Ps.)**	**(Ps.)**	**(Ps.)**	**(Ps.)**
INCOME STATEMENT DATA						
Argentine GAAP						
Sales:						
Crops	10,689,694	30,893,216	26,838,376	50,167,010	47,196,604	41,201,769
Beef cattle	12,742,867	36,826,885	27,723,604	20,566,175	27,785,711	29,332,417
Milk	1,198,320	3,463,144	3,191,948	2,414,992	2,258,210	2,614,583
Feed lot	736,968	2,129,838	7,120,335	4,453,320	2,021,655	2,034,590
Other	1,681,637	4,859,931	4,778,545	1,985,004	3,180,230	3,747,545
Net sales	27,049,486	78,173,014	69,652,808	79,586,501	82,442,410	78,930,904

Cost of sales:						
Crops	(7,379,825)	(21,327,694)	(15,405,391)	(39,425,551)	(13,817,006)	(32,078,174)
Beef cattle	(11,356,334)	(32,819,805)	(21,080,583)	(11,776,035)	(22,943,645)	(24,269,888)
Milk	(724,905)	(2,094,975)	(1,307,963)	(1,483,172)	(3,561,830)	(2,266,888)
Feed lot	(641,965)	(1,855,279)	(6,185,770)	(4,193,289)	(1,996,770)	(1,897,326)
Other	(540,090)	(1,560,860)	(1,123,049)	(1,387,410)	(2,122,473)	(2,380,039)
Total	(20,643,119)	(59,658,613)	(45,102,756)	(58,265,457)	(44,441,724)	(62,892,315)
Gross profit	6,406,367	18,514,401	24,550,052	21,321,044	38,000,686	16,038,589
Selling expenses	(2,282,229)	(6,595,641)	(4,903,065)	(6,018,073)	(10,248,016)	(11,103,948)
Administrative expenses	(2,516,013)	(7,271,279)	(5,740,114)	(4,567,092)	(8,722,577)	(8,959,816)
Net gain on sale of farms	6,916,259	19,987,989	1,668,751	4,869,484	16,573,853	5,729,612

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	As of the year ended June 30					
	2005 (2)	**2005**	**2004**	**2003 (1)**	**2002 (1)**	**2001 (1)**
	(US$)	**(Ps.)**	**(Ps.)**	**(Ps.)**	**(Ps.)**	**(Ps.)**
Inventory holdings gain (loss)	4,021,496	11,622,122	2,236,255	12,402,776	(19,603,010)	(1,489,269)
Operating income (loss)	12,545,880	36,257,592	17,811,879	28,008,139	16,000,936	215,168
Financial results, net	22,059,303	63,751,386	(18,969)	(11,065,223)	1,798,950	12,097,564
Equity gain (loss) from related companies	9,718,904	28,087,632	26,669,884	67,706,143	(41,193,704)	37,967
Other (expense) income, net	(1,752,729)	(5,065,386)	(363,761)	(2,091,884)	176,861	(340,752)
Management fee	(2,952,669)	(8,533,213)	(3,567,003)	(7,224,996)		(935,742)
Income (loss) before income tax and minority interest	39,618,689	114,498,011	40,532,030	75,332,179	(23,216,957)	11,074,205
Income tax	(13,075,292)	(37,787,594)	(8,570,269)	(10,531,263)	(18,824,012)	(4,255,985)
Minority interest	30,623	88,501	141,261	224,045	348,884	397,526
Net income (loss)	26,574,020	76,798,918	32,103,022	65,024,961	(41,692,085)	7,215,746
Basic earning (loss) per share (3)	0.17	0.49	0.23	0.54	(0.35)	0.06
Diluted earning (loss) per share (3)	0.09	0.25	0.13	0.19	(0.35)	0.06
Basic earning (loss) per ADS (3)	1.70	4.90	2.30	5.40	(3.50)	0.60
Diluted earning (loss) per ADS (3)	0.87	2.50	1.30	1.90	(3.50)	0.60
Weighted - average number of shares outstanding		155,343,629	137,137,783	121,388,429	119,748,872	119,669,749
Weighted - average number of shares outstanding plus assumed conversion		321,214,392	321,214,392	246,526,666	119,748,872	119,669,749
US GAAP						
Net sales	26,126,726	75,506,237	61,647,561	71,949,839	80,254,180	76,896,314
Net income (loss)	29,998,081	86,694,454	3,287,302	46,378,004	(156,089,770)	4,661,586
Basic earning (loss) per share (3)	0.19	0.56	0.02	0.38	(1.30)	0.04
Diluted earning (loss) per share (3)	0.12	0.34	0.02	0.19	(1.30)	0.04
Basic earning (loss) per ADS (3)	1.93	5.58	0.24	3.80	(13.00)	0.40
Diluted earning (loss) per ADS (3)	1.17	3.38	0.24	1.90	(13.00)	0.40
Weighted - average number of shares outstanding		155,343,629	137,137,783	121,388,429	119,748,872	119,669,749
Weighted - average number of shares outstanding plus assumed conversion		283,140,627	137,137,783	194,235,230	119,748,872	119,669,749
BALANCE SHEET DATA						
Argentine GAAP						
Current assets:						
Cash and banks and Investments	25,759,936	74,446,214	14,624,161	23,363,232	44,459,711	129,661,999
Inventories	16,018,561	46,293,640	35,441,885	23,305,421	38,800,874	29,382,134
Trade and other receivables, net	11,073,450	32,002,270	24,221,264	13,639,837	28,221,096	39,859,253
Non-current assets:						
Other receivables	2,242,330	6,480,334	101,758	672,817	2,261,302	4,127,316
Inventories	18,416,325	53,223,179	44,740,030	37,796,987	29,414,567	54,741,471
Investments	136,643,523	394,899,782	393,382,176	338,604,025	119,210,530	15,621,632
Negative goodwill / goodwill	(10,529,696)	(30,430,822)	(25,869,346)	(19,347,598)	(13,370,988)	2,638,819
Property and equipment, net	57,611,625	166,497,596	160,026,473	150,932,466	130,757,356	172,155,953
Intangible assets, net				369,637	879,053	1,498,478
Total assets	257,236,054	743,412,193	646,668,401	569,336,824	380,633,501	449,687,055
Current liabilities:						
Trade accounts payable	6,193,053	17,897,922	10,840,177	8,002,449	19,963,387	21,687,494
Short-term debt	3,979,163	11,499,782	8,090,261	1,425,499	7,468,233	30,301,675
Other liabilities, taxes, charges, salaries and social security payable	12,658,282	36,582,436	10,370,898	7,158,058	9,077,568	3,252,815
Non-current liabilities	53,316,310	154,084,136	152,133,418	160,744,981	21,076,440	22,217,827

Total liabilities	76,146,808	220,064,276	181,434,754	177,330,987	57,585,628	77,459,811
Minority interest	95,829	276,947	65,451	206,712	430,755	533,696
Shareholders equity	180,993,415	523,070,970	465,168,196	391,799,125	322,617,118	371,693,548
US GAAP						
Total assets	224,321,.935	648,290,393	504,382,786	448,333,781	242,485,454	421,315,791
Shareholders equity	147,356,373	425,859,920	322,511,158	272,349,817	185,224,157	345,347,712
CASH FLOW DATA						
Argentine GAAP						
Net cash (used in) provided by operating activities	(3,495,112)	(10,100,874)	(280,751)	12,435,796	28,067,447	17,082,721
Net cash provided by (used in) investing activities	21,707,278	62,734,033	(25,089,388)	(200,614,009)	33,679,698	(64,314,523)
Net cash provided by (used in) financing activities	585,279	1,691,457	16,670,247	165,644,376	(21,738,814)	26,957,422
U.S. GAAP						
Net cash (used in) provided by operating activities	(3,540,569)	(10,232,245)	(1,604,898)	20,222,339	25,533,892	17,311,636
Net cash provided by (used in) investing activities	21,765,562	62,902,474	(24,534,630)	(200,483,159)	33,791,076	(64,245,555)
Net cash provided by (used in) financing activities	585,279	1,691,457	16,670,247	165,644,376	(21,543,906)	26,595,742
Effects of exchange rate changes	(63,611)	(183,837)	1,272,280	(13,656,319)	254,352	
Effects of inflations accounting				4,863,453	2,069,177	
OTHER FINANCIAL DATA						
Argentine GAAP						
Depreciation and amortization	1,442,609	4,169,139	3,937,141	3,825,546	4,336,451	4,077,046
Capital expenditures (4)	8,982,565	25,959,614	15,189,386	31,129,070	822,170	3,085,292

(1) We have complied with the *Comisión Nacional de Valores* s resolution in connection with the discontinuance of inflation accounting and accordingly we have recorded the effects of inflation until February 28, 2003. Comparative figures were restated until that date. In addition in fiscal year 2003, as required by Argentine GAAP we have restated the prior year s financial statements to give retroactive effect to the new adopted accounting standard in that year, except for certain valuation and disclosure criteria that in accordance with the transition provisions applies prospectively. See notes 2.c and 3 to our consolidated financial statements.

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(2) Solely for the convenience of the reader, we have translated Argentine Peso amounts into U.S. Dollars at the exchange rate quoted by Banco de la Nación Argentina for June 30, 2005 which was Ps. 2.89 per US$ 1.0. We make no representation that the Argentine 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 .

(3) Basic net earning (loss) per share is computed by dividing the net income (loss) available to common shareholders for the period by the weighted average shares of common stock outstanding during the period. Diluted net earning (loss) per share is computed by dividing the net income (loss) for the period by the weighted average number of common and dilutive potential common shares then outstanding during the period. See notes 13 and 16.II.f) to our consolidated financial statements for details on the computation of earning per share under Argentine GAAP and US GAAP, respectively.

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

Exchange Rates

The following table sets forth, for the periods indicated, the high, low, average and period-end exchange rates for the purchase of U.S. Dollars expressed in nominal Pesos per U.S. Dollar. On November 30, 2005, the applicable Peso/U.S. Dollar exchange rate was Ps. 2.946 = US$ 1.00. The Federal Reserve Bank of New York does not report a noon buying rate for Pesos.

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Nominal Exchange Rates

	Exchange Rate (5)			
	High (1)	Low (2)	Average (3)	Period End
Fiscal Year 2001	1.0000	0.9990	0.9995	1.0000
Fiscal Year 2002 (4)	3.7400	0.9990	1.8206	3.7900
Fiscal Year 2003	3.7400	2.7120	3.2565	2.8000
Fiscal Year 2004	2.9510	2.7100	2.8649	2.9580
Fiscal Year 2005	3.0400	2.8460	2.9234	2.8670
Month Ended June 30, 2005	2.8760	2.8460	2.8640	2.8670
Month Ended July 31, 2005	2.8660	2.8410	2.8489	2.8410
Month Ended August 31, 2005	2.8930	2.8390	2.8682	2.8910
Month Ended September 30, 2005	2.9490	2.8840	2.8940	2.8950
Month Ended October 31, 2005	2.9980	2.8890	2.9475	2.9820
Month Ended November 30, 2005	2.9720	2.9190	2.9450	2.9460

(1) The high rate shown was the highest month-end rate during the year or any shorter period, as noted.
(2) The low rate shown was the lowest month-end rate during the year or any shorter period, as noted.
(3) Average of month-end rates.
(4) From December 23, 2001 through January 11, 2002 *Banco de la Nación Argentina* did not publish an official exchange rate due to governmental suspension of the exchange market.
(5) All prices are mid market.

Source:Banco de la Nación Argentina, Bloomberg

Fluctuations in the exchange rate between the Peso and the U.S. Dollar may adversely affect our ability to service our Dollar-denominated debt and/or the U.S. Dollar value of our ADS. Since the repeal of the Convertibility Law in January 2002, the Peso has devaluated approximately 200% vis-à-vis the U.S. Dollar. We cannot assure you that further devaluations will not take place in the future.

Inflation and further devaluation of the Argentine currency could materially and adversely affect 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 associated with our business, taking into account the instability of the country in which we operate.

We may also face additional risks and uncertainties that are not presently affecting us, or that we currently deem immaterial, which may materially impair our business. In general, investing in companies which operate in emerging markets such as Argentina is more risky than investing in companies which operate in more stable markets such as the United States.

Risks Related to Argentina

We collect substantially all of our revenues in Argentina, thus the economic crisis suffered in this country has had and continues to have severe consequences in our financial condition.

We are a corporation (*sociedad anónima*) organized under the laws of the Republic of Argentina.

We collect substantially all of our revenues in Argentina and substantially all of our operations, developments, and customers are located in Argentina. Accordingly, our financial condition and results of operations depend to a significant extent on macroeconomic and political conditions prevailing from time to time in Argentina.

During 2001 and 2002, Argentina underwent a period of severe political, economic and social instability that led to the early resignation of President De la Rúa, the default on substantially all of Argentina s sovereign debt and the devaluation of the Peso after a ten-year period of one-to-one parity with the U.S. Dollar. Following a succession of interim Presidents during the course of ten days, on January 1, 2002, at a joint session of the Argentine Congress, Eduardo Duhalde, a senator for the Justicialist Party, was selected to complete the term in office left vacant by President de la Rúa which was due to expire in December 2003.

During his term in office, President Duhalde adopted a number of measures, including, but not limited to the following:

ratifying the suspension of payment of a portion of Argentina s sovereign debt which had been previously declared suspended by interim President Rodriguez Saá;

ending the one-to-one Peso-U.S. Dollar parity that had been in place since April 1991;

converting certain U.S. Dollar-denominated loans by financial institutions in the Argentine financial system into Peso-denominated loans (pesification) at a one-to-one exchange rate plus an adjustment for variations in consumer prices (*Coeficiente de Estabilización de Referencia* or CER) or in salaries (*Coeficiente de Variación de Salarios* or CVS), as the case may be;

converting U.S. Dollar-denominated bank deposits in financial institutions in the Argentine financial system into Peso-denominated bank deposits at an exchange rate of Ps.1.40 per US$1.00 plus an adjustment pursuant to CER;

requiring the mandatory sale, currently suspended, by all banks of all their foreign currency held in Argentina to the Argentine Central Bank (*Banco Central de la República Argentina* or Argentine Central Bank) at an exchange rate of Ps.1.40 per US$1.00 (in the case of U.S. Dollars) or at an equivalent rate (in the case of other currencies);

converting most foreign currency-denominated obligations of entities in Argentina to non-financial institutions in Argentina into Peso-denominated obligations at a one-to-one exchange rate (in the case of obligations denominated in U.S. Dollars) or at a comparable rate (in the case of obligations denominated in another foreign currency), plus an adjustment pursuant to the CER or the CVS, as the case may be, plus an equitable adjustment in certain cases;

restructuring the maturity of, and interest rates on, domestic bank deposits and maintaining restrictions on withdrawals of those deposits;

enacting an amendment to the Argentine Central Bank s charter allowing it to (1) print currency in excess of the amount of foreign reserves it holds, (2) make short-term advances to the Argentine government and (3) provide financial assistance to financial institutions in the Argentine financial system with liquidity constraints or solvency problems;

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- converting or pesifying public service tariffs, originally calculated in U.S. Dollars, into Pesos at a one-to-one exchange rate;
- freezing public service tariffs without permitting indexation of any kind in contracts executed after the effective date of the Public Emergency Law;
- authorizing the Argentine government to renegotiate tariffs in public utility service contracts;
- imposing restrictions on transfers of funds abroad subject to certain exceptions;
- requiring the deposit in the Argentine financial system of foreign currency earned from exports, subject to certain exceptions; and
- enacting amendments to the Bankruptcy Law to protect debtors.

The measures set forth above resulted in a profound change to the Argentine monetary and foreign exchange regime and to the regulatory framework for all business sectors in Argentina. The impact of such measures on the Argentine economy was significant in the course of 2002 and throughout the first half of 2003. In accordance with data published by the INDEC, in 2002 Argentina s gross domestic product (GDP) decreased 10.9%, unemployment increased to unsustainable levels and the persistent devaluation of the Peso led to an escalation in retail and wholesale prices of 41.4% and 118.2%, respectively. This led to a reduction of wages in real terms and of disposable income and resulted in changes in consumer behavior across all sectors of the Argentine population adversely affecting our sales and IRSA real estate business in which we have a significant investment.

In 2003 the Argentine economy began to experience a recovery which may not be sustained if the government fails to achieve its proposed goals.

The increase in the level of demonstrations and violence in June 2002 led then-President Duhalde to announce his resignation effective May 25, 2003 and to call presidential elections prior to the expiration of his term. Néstor Kirchner was elected President in the second round and was inaugurated on May 25, 2003. His term in office will expire on December 10, 2007. Although the economic policies implemented by Kirchner s administration have succeeded in achieving economic growth Argentina in 2003 (estimated at 8.8% as compared to 2002) and 2004 (estimated at 9.0% as compared to 2003) and in the first six months of 2005 (estimated at 9.1% as compared to the first six months of 2004), there are still major issues pending resolution, such as the contracts with privatized public utility companies, the restructuring of the country s financial system and continuing default of pre-existing sovereign debt that did not participate in the government s exchange offer. The Kirchner administration s main challenge is to generate confidence and create conditions that allow for a transition from the current short-term stabilization economic policies to long-term and sustainable growth. We cannot assure you that the Kirchner administration will be able to implement the required reforms to engender economic growth and reestablish political confidence. If it is unable to do so this would likely have an adverse effect on the economy and financial system.

The government s actions concerning the economy, including the ones with respect to inflation, interest rates, price controls, foreign exchange controls and taxes, have had, and may continue to have, a material adverse effect on private entities, including us. Decisions with regards to those issues could paralyze investment and consumption decisions causing a reduction in retail sales and real estate sales. Consequently, we cannot provide any assurance that future economic, social and political developments

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in Argentina, over which we have no control, will not impair our business, financial condition, or results of operations. Although the agriculture business sector has been less affected than other businesses by the crises, because many of its commodities are exported and have internationally fixed prices, a prolonged crisis will continue to affect the production sold in the Argentine market, such as milk and cattle.

The Peso has been subject to major devaluations in the past and may suffer significant fluctuations in the future.

The economic policies of the Argentine government as well as any future depreciation of the Peso against the U.S. Dollar might have an adverse impact on our financial condition and the results of our operations. The Peso has been subject to major devaluations in the past and may suffer significant fluctuations in the future.

Law No. 25,561, promulgated on January 6, 2002, called Public Emergency and Foreign Exchange Regime Reform Law (Public Emergency Law), put an end to over a decade of one-to-one parity between the U.S. Dollar and the Peso and authorized the Argentine government to set the exchange rate. Subsequent to the devaluation of the Peso in early 2002 and since the beginning of the economic crisis, there have been significant fluctuations in the value of the Peso causing repeated Argentine Central Bank interventions to stabilize the Peso through purchases and sales of U.S. Dollars. As of August 31, 2005, the exchange rate was Ps.2.911 per U.S. Dollar after a peak of Ps.3.90 per U.S. Dollar on June 25, 2002.

We collect substantially all of our revenues in Argentina, and as a result of the enactment of the Public Emergency Law, they are calculated and collected in Pesos. We cannot assure you that the policies to be implemented by the Argentine government in the future will stabilize the value of the Peso against foreign currencies. Therefore, the Peso may continue to be subject to significant fluctuations and further depreciations which might significantly and adversely affect our financial condition and the results of our operations.

Further depreciation of the Peso would have particular impact on:

- revenues collected for services provided in Argentina, such as lease agreements;
- our assets valuation; and
- our Peso-denominated monetary assets and liabilities which could be affected by the introduction of different inflation adjustment indexes.

Argentina may not be able to attract foreign investment in the future.

Argentina s recent social and economic instability, the Government s emergency measures to address the instability and security concerns relating to an increase in crime (including the recent activities of organized picketers, or piqueteros) have made many foreign investors unwilling to invest in Argentina. Foreign investment is conducive in many respects to our economic recovery and future economic growth. Argentina s continuing inability to attract foreign investment may have an adverse effect on Argentina s economy and prospects.

Inflation may escalate and further undermine the economy, which could adversely affect our financial condition and results of operations.

On January 24, 2002, the Argentine government amended the Argentine Central Bank s charter allowing it to print currency without having to maintain a fixed and direct ratio with the foreign currency and gold reserves. This amendment allows the Argentine Central Bank to make advances to the

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Argentine government to cover anticipated budget deficits and to provide financial assistance to financial institutions with liquidity problems. Furthermore, the devaluation of the Peso affected the domestic price system generating inflation in 2002. Through December 31, 2003, the CER and the wholesale price index exhibited increased by 3.7% and 4.3%, respectively, compared to 41.4% and 118.2%, respectively, for 2002. During 2004, the CER increased by 6.1% and the wholesale price index increased by 7.9%. Although in the course of 2003 and 2004 inflation has been relatively stable, there is great concern over the escalating levels of inflation by the end of 2005. After rising 0.8% and 1.5% in December 2004 and January 2005, respectively, prices increased by 1.0% in February, 1.5% in March 2005, 0.5% in April 2005, 0.6% in May 2005, 0.9% in June 2005, 1.0% in July 2005, 0.4% in August 2005, 1.2% in September 2005, 0.8% in October 2005 and 1.2% in November 2005, creating significant uncertainty regarding future inflation levels.

The devaluation of the Peso and related economic measures implemented by the Argentine government were intended primarily to remedy the effects of unemployment and to stimulate economic growth. To date, the objectives pursued have been achieved, but the sustainable success of such measures will depend on the ability of the Argentine government to generate confidence in the local and international financial markets. If current uncertainty regarding the government s policies persists, it is likely that inflation rates will increase significantly, investment and economic activity will contract, unemployment will increase beyond current levels, tax collection will drop and the current fiscal surplus will erode, leading to fiscal deficit. Therefore, we cannot assure you that the value of the Peso will continue to be stable or that inflation will remain at current levels. Any significant increase in inflation or additional volatility in the financial markets could have a material adverse effect on our financial condition and results of operations.

The recent economic and financial crisis produced significant social and political tensions, which could worsen in the event of another shock and have a material adverse effect on Argentina s economic growth.

During the height of its recent economic crisis, Argentina experienced significant social and political turmoil, evidenced by street demonstrations, strikes, increased rates of crime and the rapid succession of four interim administrations between President De la Rúa s resignation in December 2001 and President Duhalde s appointment in January 2002. In addition, the lack of any clear political consensus in favor of a particular set of economic policies has also given rise to, and may perpetuate, significant uncertainties about Argentina s economic and political future. There can be no assurance that the significant domestic instability evident during 2001 and 2002 will not reemerge in response to an internal or external shock. Such instability could have a material adverse effect on Argentina s economic growth. Furthermore, if unemployment rates do not decrease substantially, consumption of retail goods will be detrimentally affected which in turn will adversely affect the financial condition of our tenants, and consequently, our results of operations.

Promulgations of laws related to foreclosure on real state adversely affect property rights

In February 2002, the Argentine government amended Argentina s bankruptcy law, suspending bankruptcies and foreclosures, initially for a six-month period and subsequently extended until November 14, 2002.

On June 2, 2003, the Congress passed a law formally suspending the ability to foreclose on mortgaged properties for a term of ninety days, reinstating the earlier formal suspension on foreclosures that ended on November 14, 2002. This suspension was extended until September 2, 2003. However, the creditors voluntarily agreed, together with banks and other financial institutions, to extend such suspension until a new law solved this situation. On November 5, 2003 Law No. 25,798 was enacted. It established a mechanism to reschedule the mortgage debts by creating a Trust (paid by the Argentine Government) which purchases portfolio mortgage debts and reschedules them in a more profitable way. The period that creditors had to express their consent to this mortgage reschedule system expired on June 22, 2004. This law was partially modified by Law No. 25,908 (enacted on July 13, 2004) which included different conditions referring to the incorporation to this system of the mortgage loans that were in judicial or private execution proceedings.

Future governmental policies will likely significantly affect the economy as well as the operations of financial institutions

The Argentine government has historically exercised significant influence over the economy, and financial institutions, in particular, have operated in a highly regulated environment. Due to the Argentine crisis, in the last few months the Argentine government has promulgated numerous, far-reaching and not always consistent laws and regulations affecting the economy and financial institutions in particular. We cannot assure you that laws and regulations currently governing the economy or the banking sector will not continue to change in the future, particularly in light of the continuing economic crisis, or that any changes will not adversely affect our business, financial condition, results of operations or our ability to honor our foreign-currency denominated debt obligations.

Due to the current social and political crisis, investing in Argentina also entails the following risks:

- rioting, looting, nation-wide protests, strikes and widespread social unrest;
- expropriation, nationalization and forced renegotiation or modification of existing contracts; and
- unpredictable taxation policies, including royalty and tax increases and retroactive tax claims.

Despite the apparent disappearance of the signs of economic and political crisis, the structural problems of the Argentine economy, which have recurrently caused or contributed to the political crisis in the past, have not been resolved, and there can be no assurance that the policies of the elected president will be ultimately successful.

Future exchange controls may prevent us from servicing our foreign currency-denominated debt obligations.

Since early December 2001, the Argentine authorities implemented a number of monetary and currency exchange control measures that included restrictions on the withdrawal of funds deposited with banks and severe restrictions on transfers abroad. Although most restrictions in connection with repayments to foreign creditors have been lifted, these regulations have been changing constantly since they were first enacted, and we cannot assure you that they will not be put in place again and, if they are, whether they will be stricter than before. Currently, the government, through the Argentine Central Bank, holds control over capital inflows and outflows, enacting the applicable rules in this regard. Decree No. 616/2005, issued on June 10, 2005, established that inflows and outflows of foreign currency into the local exchange market, and indebtedness transactions incurred by local residents that may result in a foreign currency-denominated payment to non-residents, need to be registered with the Argentine Central Bank. Furthermore, as from May 26, 2005, the following situations are subject to certain requirements and conditions: (a) inflows of funds derived from foreign borrowing by the private financial and non-financial sectors; and (b) inflows of foreign currency by non-residents for the purpose of: (i) holding a position in local currency, (ii) purchasing financial debt or assets and (iii) investing in government bonds in the secondary market. In these situations, the following requirements must be met: (i) inflows must remain in Argentina for 365 days to be computed as from the day they were negotiated in the local exchange market; (ii) the funds involved in the transactions covered by this decree must be deposited in a local bank account; (iii) a non-transferable deposit denominated in U.S. Dollars for an

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amount equal to 30% of the relevant transaction has to be made with the resulting proceeds. This deposit will only be reimbursed after the expiration of a 365 days term, cannot bear interest (nor yield any other type of profit) and may not be used as collateral in any credit transaction. Such requirements do not apply to: (a) foreign direct investment, (b) primary placement of publicly traded debt or equity securities listed in one or more exchange markets, and (c) foreign trade and export finance related transactions.

Subsequently, Resolution No. 365/2005 from the Ministry of Economy and Production established that non-resident capital inflows destined for the primary subscription of Argentine Central Bank notes and income derived from the sale by residents of foreign assets for an amount greater than US$2 million per month, will also be subject to the aforementioned requirements.

Resolution No. 365/2005 provided certain exemptions to the non-transferable deposit requirement such as (i) inflows derived from borrowings extended by multilateral and bilateral financial institutions and official credit agencies, and (ii) inflows derived from financial borrowings extended by foreign creditors, so long as they are devoted to investments in non-financial assets and the borrowed amounts are repaid at least 24 months after they were granted. However, neither Resolution No.365/2005 nor the relevant Argentine Central Bank Communications contain any definition or example as to what would constitute a non-financial asset that would fall under such exception. Therefore, inflows of foreign currency derived from loans extended by foreign creditors to residents devoted to finance the acquisition or the construction of any real estate property are likely to be subject to the non-transferable deposit requirement even if such borrowings are to be repaid no earlier than 24 months after they were granted.

By contrast, according to Communication C 43075 dated September 26, 2005, inflows of foreign currency caused by a non-resident and devoted to the cancellation of payment obligations under a purchase agreement (including installment payments thereof) concerning a real estate property under construction may be registered as foreign direct investments provided certain conditions are met.

Finally, Resolution No. 637/2005 from the Ministry of Economy and Production dated November 16, 2005 established that any inflow of foreign currency to the local exchange market devoted to the primary subscription of notes, bonds or participation certificates issued by the trustee of a trust, regardless of the channels in which they are traded (public or private offerings, or listings in self-regulated markets) is subject to the non-transferable deposit requirement established by Decree 616/2005 if such requirement would be deemed applicable to the acquisition of the underlying assets of the trust. See Item 10.D.

Although most capital outflow restrictions with regard to import of goods, payment of interest, utilities, dividends and financial debts, have been eliminated, there can be no assurance that the Argentine Central Bank will not reverse its position and once again restrict payments of principal and interest outside of Argentina. If more stringent restrictions are imposed by the Argentine Central Bank, we may be unable to make payments of principal and interest on our foreign currency-denominated debt obligations. If that were to occur, we would likely suffer payment defaults on our existing debt obligations, and such defaults would likely have a material adverse effect on our financial condition and prospects and our ability to service our external debt obligations.

Argentina s sovereign debt restructuring may create certain additional uncertainties regarding future litigation and economic development.

On December 23, 2001, interim President Rodríguez Saá announced the suspension of the payment of all of Argentina s sovereign indebtedness, which as of December 31, 2001 amounted to approximately US$144.5 billion. On January 2, 2002, then President Duhalde ratified this decision in relation to the portion of the debt corresponding to private-sector foreign debt holders. Subsequently, the main international credit rating agencies downgraded Argentina s sovereign debt rank. In November 2002, Argentina failed to honor certain payments then outstanding and payable to the World Bank.

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On September 21, 2003, the Executive Board of the International Monetary Fund approved the restructuring of US$12.5 billion of Argentina s sovereign debt outstanding with multilateral lenders. Pursuant to the terms of the agreement with the International Monetary Fund, the maturities of this debt were extended over the next three years. In addition, Argentina committed itself to achieving certain targets, including a primary fiscal surplus of 3% of GDP for 2004, and left the primary fiscal surplus target for the following two years open for negotiation. Prior to reaching an agreement, the Argentine government defaulted in a payment due to the International Monetary Fund that was cured by execution of a new standby agreement.

On September 23, 2003, the Argentine government announced the guidelines proposed for a restructuring plan in connection with approximately US$95 billion of debt held by the private sector. These guidelines set forth that the Government could require existing debt holders to accept, among other decisions, a 75% reduction in principal, honoring only 25% of the outstanding principal on such indebtedness.

In accordance with the agreement reached with the IMF, Argentina is subject to quarterly reviews. The first reviews were approved in January 2004 and in March 2004, respectively. In August 2004, the International Monetary Fund s financial assistance program was suspended until the conclusion of the public debt restructuring process.

The Argentine debt exchange offer ended on February 25, 2005. On March 18, 2005, the Argentine government announced the final results of the debt restructuring process, with a rate of participation by bondholders of approximately 76% and an aggregate tendered amount of US$ 62.3 billion. Despite the high levels of acceptance of the offer, the amounts not tendered for exchange totaled approximately US$20 billion which created uncertainty as to the final resolution of the sovereign debt problem and its impact on the future performance of the Argentine economy. The settlement of the debt exchange was completed on June 2, 2005 due to a delay resulting from legal action commenced by certain bondholders who did not participate in the exchange offer in an attempt to attach the tendered bonds.

Following the settlement of Argentina s sovereign debt restructuring on May 18, 2005, the International Monetary Fund agreed to a one-year extension of Argentina s scheduled repayment of debt amounting to US$2.5 billion with maturities due and owed to the International Monetary Fund arising between May 20, 2005 and April 28, 2006.

Additionally, certain companies have filed claims before the International Center for the Settlement of Investment Disputes. The claimants allege that the emergency measures are inconsistent with the fair and equitable treatment standards set forth in various bilateral investment treaties to which Argentina is a party. Most of these claimants contend that government s actions had the effect of expropriating their investments without adequate compensation. Their pleadings are still pending a decision. We can give no assurance that further litigation to be initiated by holdouts will not result in material judgments against the Argentine government.

After the exchange offer, Argentina s sovereign debt exceeds US$120 billion. We cannot assure you that the Argentine government will honor its obligations either under the exchange offer or under the rescheduled agreement with the International Monetary Fund. Further defaults may result in additional litigation and affect Argentina s credibility toward multilateral lenders. This would adversely affect economic growth. Under these circumstances, we cannot assure that the economy will not suffer additional shocks which may adversely affect our business and results of operations.

The recent suspension of the Mayor of the City of Buenos Aires and the commencement of an impeachment proceeding against him is generating political and institutional instability.

On November 14, 2005, the legislative body of the City of Buenos Aires suspended Mayor Aníbal

Ibarra and initiated an impeachment proceeding against him. He is being charged with breach of duties due to the incident that caused the death of 193 people in a fire started on December 30, 2004 in a local night club which did not comply with minimum safety standards required for the issuance of a municipal permit. If Mayor Ibarra is found guilty of these charges he could be removed from office.

This impeachment proceeding is the first one of its kind to take place in the history of the City of Buenos Aires. The confrontation among political parties in the legislative body of the City and the trial is generating political and institutional instability in the city where most of IRSA s and APSA s assets are located.

Recent changes in Kirchner s cabinet of ministers is generating uncertainty as to the future development of governmental policies

On November 28, 2005 President Kirchner announced the replacement of several Ministers of his cabinet. Felisa Josefina Miceli replaced Roberto Lavagna as head of the Ministry of Economy and Production, Jorge Enrique Taiana replaced Rafael Bielsa as head of the Ministry of Foreign Affairs, Nilda Garré replaced José Pampuro as head of the Ministry of Defense and Juan Carlos Nadalich replaced Alicia Kirchner as head of the Ministry of Social Development. After these announcements, some concerns have arisen, particularly with regards to the replacement of the Minister of Economy and Production. The most important concern is whether the new Minister will be able to develop governmental policies that foster the recovery of the local economy and reduce the poverty level in Argentina.

Risks Related to Our Business

We may face potential conflicts of interest relating to our principal shareholders.

As of November 30, 2005 our largest shareholder, Mr. Eduardo S. Elsztain, was the beneficial owner of approximately 20.2% of our common shares. As of November 30, 2005, such beneficial ownership consists of 34,181,018 of our common shares owned by Inversiones Financieras del Sur S.A., a Uruguayan holding company, for which Mr. Eduardo S. Elsztain may be deemed beneficial owner by virtue of his voting power to control Inversiones Financieras del Sur S.A.

Pursuant to a consulting agreement with Dolphin Fund Management S.A., we pay a management fee equal to 10% of our annual net income for certain agricultural advice and other administrative services. Dolphin Fund Management S.A spun off into two companies on November 25, 2003: Consultores Asset Management S.A. and Dolphin Fund Management S.A. Eduardo Elsztain is the owner of 85% of the capital stock of Consultores Asset Management S.A., while our first vice-chairman of the board of directors, Saúl Zang, holds the other 15% of the capital stock. During the spin off, the consulting agreement was assigned to Consultores Asset Management S.A. Eduardo Elsztain (formerly the chairman of Dolphin Fund Management) is currently the chairman of Consultores Asset Management S.A.

Conflicts of interest between our management, our affiliates and us may arise in the performance of our respective business activities.
Mr. Eduardo S. Elsztain is also the beneficial owner of approximately 21.1% of the common shares of IRSA, an Argentine company that currently owns approximately 65.2% of the common shares of its subsidiary Alto Palermo S.A. (APSA) whose CEO is Mr. Alejandro G. Elsztain, the CEO of Cresud. We cannot assure you that our principal shareholders will not limit or cause us to forego business opportunities that their affiliates may pursue or that their pursuit of other opportunities will be in our interest.

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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 from time to time 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 of certain important producers (mainly the USA and 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.

From June 2004, to June 2005, prices in U.S. Dollars for soybeans dropped 22 %, corn 20% and wheat decreased 7%.

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

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

As with any agribusiness enterprise, our business operations are predominantly 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. Therefore, our results of operations have varied significantly from period to period, and are likely to continue to vary, due to seasonal factors.

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

The occurrence of severe adverse weather conditions, especially droughts or floods, is unpredictable and may have a potentially devastating impact upon crop production and, to a lesser extent, beef-cattle production. The effect of severe adverse weather conditions may reduce yields in our farms or require higher levels of investment to maintain yields. As a result, we cannot assure you that severe future 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 on crops, potentially rendering all or a substantial portion of the affected harvests. Even when only a portion of the crop is damaged, our results of operation 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 Argentine cattle products. Although we abide by national veterinary health guidelines, which include laboratory analyses and vaccination, to control diseases among the

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herds, especially foot-and-mouth disease, we cannot assure that future outbreaks of cattle diseases will not occur or that future outbreaks will not adversely affect our beef-cattle and milk sales, operating results and financial condition.

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

We experience substantial worldwide competition in each of our markets and in many of our product lines. The market for cereals, oil seeds and by-products is highly competitive and also sensitive to changes in industry capacity, producer inventories and cyclical changes in the world s economies, any of which may significantly affect the selling prices of our products and thereby our profitability. Argentina is more competitive in the oil-seed than in the cereal market. 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 that do not exist in Argentina. These subsidies may allow producers from other countries to produce at lower costs than us and/or endure periods of low prices operating losses for longer periods. 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.

We currently sell our entire raw milk production to one customer in Argentina. For fiscal year 2005, these sales represented 4.4% 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.

We do not maintain insurance on our crop storage facilities; therefore, if a fire or other disaster damages some or all of our harvest, we will not receive any compensation.

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 have approximately 18,001 tons of storage capacity at various farms and plan to further increase our storage capacity. We do not maintain insurance on our storage facilities. Although our storage capacity is in several different locations, and it is unlikely that a natural disaster affects all of our 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.

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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 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.

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.

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 intend to be exposed in a long derivative position in excess of 50% of our real production.

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.

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.

We hold Argentine securities, which are more volatile than United States 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, with the exception of 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.

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

As of June 30, 2005, we owned a 21.8% equity interest in IRSA representing an investment of Ps. 197.35 million through the purchase of shares and the conversion of Convertible Notes. In addition, as of such date, we owned IRSA s Convertible Notes for a total amount of US$ 36.5 million. Consequently, as of June 30, 2005, our investment in IRSA amounted to Ps. 349.0 million, representing 46.9% of our consolidated assets.

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. During the fiscal year ended June 30, 2005, IRSA s share price increased by 55% from Ps. 2.2, on June 30, 2004 to Ps. 3.4 on June 30, 2005. From fiscal year 2003 to fiscal year 2004 the price decreased 12% from Ps. 2.5 to Ps. 2.2. Given the relative size of our investment in IRSA, any decline could continue to give us a material adverse effect on our financial condition and results of operations.

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 10% over the current 5% the taxes on beef-cattle exports.

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 to 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.

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. There can be no assurance that the

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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 might impose will allow us to freely negotiate the price of our products.

The Investment Company Act may limit our future activities.

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

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

In recent years we have made a significant minority investment in the capital stock of IRSA, an Argentine company engaged in a range of real estate activities. As of June 30, 2005, we owned approximately 21.8% of IRSA s outstanding shares, and our total investment in IRSA represented approximately 46.9% 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.

We believe we may be exempted from a registration as an investment company under the Investment Company Act so long as we do not offer or sell securities in the United States or to U.S. persons while our status under the Investment Company Act remains uncertain. Accordingly, due to the uncertainty regarding our status under the Investment Company Act, we may not be able 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 exception under the Investment Company Act is unavailable to us in the future and we desire to access the U.S. capital markets, our only recourse would be to file an application to the SEC for an exemption from the provisions of the Investment Company Act, which is a lengthy and highly uncertain process.

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

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Risks Related to our American Depositary Shares and the Shares

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

The market prices of our common shares and American Depositary Shares could decline as a result of sales by our existing shareholders of common shares or American Depositary Shares 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 American Depositary Shares are freely transferable under U.S. securities laws, including shares sold to our affiliates. Inversiones Financieras del Sur S.A., which as of November 30, 2005 owned approximately 20.2% of our common shares (or approximately 34,181,018 common shares which may be exchanged for an aggregate of 3,418,101 American Depositary Shares), is free to dispose of any or all of its common shares or American Depositary Shares at any time in its discretion. Sales of a large number of our common shares and/or American Depositary Shares would likely have an adverse effect on the market price of our common shares and the American Depositary Shares.

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 which differs 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 us or to enforce against 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 U.S. 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, United States holders of our equity securities would suffer negative consequences.

The Company has not made a determination as to whether it is, or may be, a passive foreign investment company (PFIC), for United States federal income tax purposes for the fiscal year ending June 30, 2005. Because the determination of whether we are a PFIC is an annual determination based upon the composition of our assets and income, it is possible that we may be a PFIC in the current year or that we may become a PFIC in the future. The volatility and instability of Argentina s economic and

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financial system may substantially affect the composition of our income and assets. 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 a proportionate share of the assets of the other corporation, and as receiving directly a proportionate share of the other corporation s income. If we are or become a PFIC, United States holders of our shares or American Depositary Shares will be subject to certain United States federal income tax rules which will have negative consequences on them such as additional tax and an interest charge upon certain distributions or upon sales or other disposition of our shares or American Depositary Shares at a gain, as well as reporting requirements. See Item 10.E United States Taxation Passive Foreign Investment Company Rules for a more detailed discussion of the consequences of the Company being deemed a PFIC. Investors are urged to consult their tax advisors regarding the application of the PFIC rules to them.

Risks Related to IRSA s Business

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

IRSA has, and expects to have, substantial liquidity and capital resource requirements to finance its business. As of June 30, 2005, IRSA s consolidated financial debt amounted to Ps.483.7 million (including accrued and unpaid interests and deferred financing costs). The fact that IRSA is highly leveraged, may affect its ability to refinance existing debt or borrow additional funds to finance working capital, acquisitions and capital expenditures. 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 high leverage could place them at a disadvantage compared to its competitors who are less leveraged and limit its ability to react to changes in market conditions, 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 other debt arrangements. IRSA s ability to service debt obligations or to refinance them will depend upon its future financial and operating performance, which will, in part, be subject to factors beyond its control such as macroeconomic conditions and regulatory changes in Argentina. If IRSA cannot obtain future financing, they may have to delay or abandon some or all of its planned capital expenditures, which could adversely affect its ability to generate cash flows and repay its obligations.

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

IRSA s largest beneficial owner is Mr. Eduardo S. Elsztain. As of November 30, 2005, such beneficial ownership consisted of:

- 931,852 of IRSA s common shares owned by Inversiones Financieras del Sur S.A. (IFISA), a company where Mr. Eduardo S. Elsztain is the beneficial owner;

- 77,850,702 of IRSA s common shares owned by Cresud, for which Mr. Eduardo S. Elsztain by reason of his position with Cresud, may be deemed to own all of its common shares held for the account of Cresud.

Conflicts of interest between IRSA s management, IRSA and its affiliates may arise in the performance of IRSA s respective business activities. Mr. Elsztain also beneficially owns (i)

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approximately 20.2% of the common shares of Cresud, and (ii) approximately 61.6% of the common shares of APSA, an IRSA s subsidiary. 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 its interest.

The devaluation of the Peso and the deterioration of the Argentine economy have had, and may continue to have, a material adverse effect on the results of IRSA s operations and financial condition.

While the Convertibility Law remained in effect, IRSA had no exchange rate risk relating to its Peso-denominated revenues and its U.S. Dollar-denominated liabilities. However, with the repeal of the Convertibility Law on February 4, 2002, all U.S. Dollar-denominated obligations, which were within the Argentine banking sector and subject to Argentine Law, were mandatorily converted into Peso-denominated liabilities at an exchange rate of one Peso to one U.S. Dollar. The majority of IRSA s liabilities, such as the Unsecured Loan Agreement, the Class 3 Floating Rate Notes and the Hoteles Argentinos Loan are subject to New York law and thus has not been converted into Pesos. Moreover, IRSA s US$ 100 million Convertible Notes (US$ 57.0 million outstanding as of November 30, 2005) and APSA s US$ 50 million Convertible Notes (US$ 47.3 million outstanding as of November 30, 2005) are U.S. Dollar-denominated.

IRSA collects substantially all of its revenues in Pesos (such as lease contracts and seller financing) and, as a result, the devaluation of the Peso has adversely affected the U.S. Dollar value of its earnings and, thus, impaired its financial condition. Moreover, its Peso-denominated assets (which represent 91% of IRSA total assets as of June 30, 2005 have depreciated against IRSA s indebtedness denominated in foreign currency. As of June 30, 2005, IRSA had outstanding debt amounting to Ps. 483.7million, of which, 89% was denominated in U.S. Dollars. Any further depreciation of the Peso against the U.S. Dollar will correspondingly increase the amount of its debt in Pesos, with further adverse effects on its results of operation and financial condition, and may increase the collection risk of its leases and other receivables from its tenants and mortgage debtors, most of whom have Peso-denominated revenues.

The Argentine government may impose additional restrictions on the lease, operation and ownership of property.

In the past, in response to housing shortages, high rates of inflation and difficult access to credit, the Argentine government imposed strict and burdensome regulations regarding leases. Such regulations limited or prohibited increases on rental prices and prohibited eviction of tenants, even for failure to pay rent. 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 or operation or leasing of properties in Argentina could materially and adversely affect IRSA s operations and profitability.

There can be no assurance that additional regulations will not be imposed in the future. Such regulations could negatively affect the Argentine real estate market and the rental market. Furthermore, most of IRSA s leases provide that the tenants pay all costs and taxes related to their respective leasable areas. In the event of a significant increase in the amount of such costs and taxes, the Argentine government may respond to political pressure to intervene by regulating this practice, thereby negatively affecting its rental income.

IRSA holds Argentine securities which are more volatile than United States securities, and carry a greater risk of default.

IRSA currently holds certain investments in Argentine government debt, corporate debt and equity securities. In particular, IRSA holds a significant interest in *Banco Hipotecario*, an Argentine

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bank that has recently suffered material losses. Although the holding of these investments, with the exception of *Banco Hipotecario*, 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 IRSA has invested and may invest, including the Argentine government, have in the past experienced substantial difficulties in servicing their debt obligations, which led them to the restructure their indebtedness. We cannot assure that the issuers in whom IRSA has invested or may invest will not be subject to similar or other difficulties in the future which may adversely affect the value of IRSA s investments. In addition, such issuers and, therefore, such investments, are generally subject to many of the risks that are described in this section, which could also adversely affect the value of those investments.

Failure to sell planned properties will adversely affect IRSA s financial condition.

IRSA might have difficulty or fail to sell its futures developments. A failure or a delay in selling these properties would result in lower results of operations and have a material adverse effect on its financial condition.

Real estate investments are subject to many risks.

IRSA s real estate investments are subject to risks common to commercial and residential properties in general, many of which are not within its control. Any of these risks might materially and adversely affect its 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.

IRSA s ability to generate income from its properties sufficient to service its debt and cover other expenses may be adversely affected by the following factors, among others, some of which IRSA cannot control:

- oversupply of retail space or a reduction in demand for retail space, which could result in lower rent prices and lower revenues for IRSA;
- increased competition from other real estate operators which might drive down IRSA s prices and profits;
- changes in IRSA s ability or its tenants ability to provide for adequate maintenance and insurance, possibly decreasing the life of and revenue from property;
- increases in operating expenses which could lower IRSA s profitability;

the inability to collect rents due to bankruptcy or insolvency of tenants or otherwise;

the need to periodically renovate, repair and release space, the higher costs thereof; and

the exercise by IRSA s tenants of their legal right to early termination of their leases.

In addition, other factors may adversely affect the productivity and value of IRSA s properties,

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including law reforms and governmental regulations (such as 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. Increases in operating costs due to inflation and other factors may result in the inability or unwillingness of tenants to pay rent or expense increases. Certain significant expenditures, such as debt service, real estate taxes, and operating and maintenance costs, are generally not reduced, in circumstances resulting in a reduction in income from the investment. The foregoing and any other factor or event that would impede IRSA s ability to respond to adverse changes in the performance of its investments could have a material adverse effect on its financial condition and results of operations.

IRSA s business is subject to extensive regulation.

The real estate business is subject to extensive building and zoning regulations at the national, provincial and municipal levels. The aim is to regulate land acquisition, development and construction activities, and certain dealings with customers, as well as consumer credit and consumer protection. IRSA is required to obtain approval from various governmental authorities for its development activities, and new laws or regulations could be adopted, enforced or interpreted in a manner that could adversely affect its results of operations and the level of cash flow necessary or available to meet its obligations. Development activities are also subject to risks relating to the inability to obtain or delays in obtaining all necessary zoning, environmental, land-use, development, building, occupancy and other required governmental permits and authorizations. IRSA and its affiliates operations are also subject to national, provincial and municipal environmental laws applicable in Argentina. IRSA believes that such laws and regulations currently do not materially affect its business or results of operations. We cannot assure you, however, that those regulations will not change in a manner that could cause material adverse effects on IRSA s business.

Argentine Leasing 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 IRSA to adjust the amounts owed to IRSA under its lease agreements;

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

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

- tenants may rescind commercial lease agreements after the initial six-month period. The exercise of such rescission rights by IRSA s tenants could materially and adversely affect its 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.

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 workload of the courts and the numerous procedural steps required have

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generally delayed landlords efforts to evict tenants. Eviction proceedings generally last from six months to two years from the date of filing of the suit to the time of actual eviction. Historically, delinquency regarding office rental space has been very low, approximately 2%, and 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, 2005, a substantial part of IRSA s sales were derived from properties in the City of Buenos Aires and the Province of Buenos Aires area. Although IRSA owns properties and may acquire or develop additional properties outside Buenos Aires, they expect to continue to depend to a very large extent on economic conditions affecting those areas, and therefore, an economic downturn in those areas could have a material adverse effect on IRSA´s financial condition.

If the court extends Inversora Dársena Norte S.A. s bankruptcy to Puerto Retiro IRSA will lose the significant investment they made to acquire a unique waterfront land reserve by the City of Buenos Aires where IRSA plans to develop a financial center.

On November 18, 1997, through the acquisition of the capital stock of the Old Alto Palermo (Alto Palermo S.A., currently Inversora Bolívar S.A.), which was a Pérez Companc s real estate subsidiary, IRSA indirectly acquired 35.2% capital stock of Puerto Retiro. The Old Alto Palermo had purchased such shares of Puerto Retiro from Redona Investments Ltd. N.V. in 1996. In addition, pursuant to the execution of several stock purchase agreements in May and June 1999, IRSA -through Inversora Bolívar S.A.- increased its interest in Puerto Retiro up to 50% of its capital stock.

On April 18, 2000 Puerto Retiro received notice of a complaint filed by the Federal Government, through the Ministry of Defense, with the purpose of requiring the extension of the bankruptcy of Inversora Dársena Norte S.A. (Indarsa). Concurrently with the complaint, at the request of plaintiff, the bankruptcy court granted an order restraining the ability of Puerto Retiro to sell or dispose in any manner the real estate property purchased from Tandanor S.A. (Tandanor).

Indarsa had purchased 90% of the capital stock of Tandanor, a formerly government owned company privatized in 1991 engaged in the shipyard industry which owned a large piece of land near Puerto Madero of approximately 8 hectares, divided into two spaces: Planta 1 and 2. Such property did not have (and still does not have) approved zoning established in the Urban Planning Code and therefore no project can be currently developed.

After the purchase of Tandanor by Indarsa, 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. The deed was executed in June, 1993.

Indarsa did not comply with the payment of the outstanding price for the purchase of the capital stock of Tandanor, and therefore the Ministry of Defense requested the bankruptcy of Indarsa. Since the only asset of Indarsa was the shareholdings in Tandanor, the Ministry of Defense is pursuing to extend the bankruptcy to other companies or individuals which, according to its view, acted as an economic group, and therefore, requested the extension of the bankruptcy to Puerto Retiro, which acquired Planta 1 from Tandanor.

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On April 18, 2001, the judicial procedure entered into trial stage. At the present time, a provisional measure prohibiting changes and disposition of this building is still in effect. IRSA is currently awaiting the Court s ruling on this matter.

IRSA cannot assure the success of the outcome of this judicial proceeding. If the plaintiff s claim is favored by the court or by the court of appeals, such decision may cause a material adverse effect on IRSA s financial situation, since all of the assets of Puerto Retiro will be used to pay the debts incurred by Indarsa.

The Company s investment in Puerto Retiro amounts to Ps. 45.5 million at June 30, 2005.

IRSA faces a potential economic loss with regards to a judicial proceeding involving the acquisition of Llao Llao Hotel.

Llao Llao Holding S.A. purchased Hotel Llao Llao on November, 1997, from the National Parks Administration. Llao Llao Holding S.A. (in the process of dissolution due to the merger with IRSA), predecessor of Llao Llao Resorts S.A. was sued in 1997 by the National Parks Administration to obtain collection of the unpaid balance of the purchase price in Argentine sovereign debt securities amounting to US$ 2.87 million. The trial court ruled in favor of the plaintiff. The ruling was appealed, and the court of appeals confirmed the judgment, ordering the payment of US$ 2.87 million in Argentine sovereign debt securities available at the date of the ruling, plus accrued interest, compensatory and punitive interests and attorneys fees.

On March 2, 2004, the Company made a payment deposit of Ps. 7.19 million with *Banco de la Ciudad de Buenos Aires* in favor of the National Parks Administration and deposited Argentine sovereign debt securities class FRB FRB L+13/16 2005 for a total nominal value of US$ 4.12 million. The total amount settled on that date was Ps. 9.15 million.

The court served notice of payment made on the plaintiff. On June 30, 2004 the plaintiff filed a brief rejecting the payment as partial, and requested from the court a payment schedule for the final payment of the total debt.

The trial court pesified the plaintiff´s credit and the plaintiff appealed this decision. The court of appeals ruled in favor of the plaintiff mantaining their credit in U.S. Dollars. IRSA has appealed this decision and the appellate court declared it inadmissible. IRSA appealed before the Supreme Court and is awaiting its decision.

A report of the legal advisors states that the balance remains unpaid and outlines that the Company has deposited with the court the debt instruments determined in the unpaid balance, and an amount in cash of Ps. 7.19 million, whereas the unpaid balance approved in the court records was US$ 3.78 million.

As of June 30, 2005 IRSA s management recorded a reserve in the amount of Ps. $ 3.77 million which was determined calculating the difference between the amount claimed for in concept of compensatory and punitive damages (US$ 3.80 million) and the amount deposited in payment ($7.19 million).

In September 2001 Llao Llao Resorts S.A. entered into an agreement with six of the plaintiff s attorneys by which the company agreed to pay them the amount of US$ 1.2 million in concept of fees which would be paid in twelve equal monthly installments of US$ 100,000 each to be deposited with Banco de la Ciudad de Buenos Aires. The first three installments were paid before the devaluation of the Peso and the following nine installments were paid in Pesos after the devaluation.

One of the six attorneys never challenged these payments. The remaining five attorneys filed a motion alleging that that the amount agreed should have been paid in U.S. Dollars and not in Pesos and calculating the difference between the amounts paid in Pesos and the U.S. Dollar amount agreed in concept of fees which they understood amounted to US$ 384,000. In March 2005, at the request of two of the attorneys the court issued an order to attach the amount of Ps. 788,000 from the Company s checking accounts. As of June 30, 2005 the attachment amounted to Ps. 861,000.

Our legal advisors challenged the liquidation performed by these two plaintiffs for several reasons. Firstly, payments performed prior to the pesification, the three first installments, need not be readjusted because they were made when the Peso was at a 1 to 1 parity with the U.S. Dollar. Secondly, the interest claim made by the plaintiffs is unlawful and exorbitant. On December 2, 2005 the court resolved ordering the payment of the currency difference with regards to the last nine installments which would be calculated using the exchange rate in force at the time the deposits were made and rejecting the interest claim considering that the relief sought was already covered by the readjustment ordered. This court order may be appealed by the plaintiffs. As of June 30, 2005, in light of the probable contingency reported by IRSA s legal counsels its management has reserved the amount of Ps. 2.3 million.

IRSA is currently negotiating an out-of-court agreement with the remaining three attorneys. The liquidation presented by them includes the amount of US$ 288,112.35 in concept of capital applied to the currency difference between the payments made in Pesos and the original fee agreement and US$ 72,528.78 in concept of interest which results in a total amount of US$ 360,641.13. IRSA understand that they are willing to arrive at an agreement which could include an installment payment plan.

If APSA cannot reach an agreement with the sellers regarding its acquisition of a significant interest in the Neuquén Project, the sale may be voided and it may not recover its original investment.

On July 6, 1999 APSA acquired 94.6% ownership of Shopping Neuquén S.A. for Ps. 4.2 million. APSA paid Ps. 0.9 million on September 1, 1999 and the remaining Ps. 3.3 million were originally scheduled to be paid on or before July 5, 2001 or at the completion of the construction of the shopping center, whichever happened first. APSA clarifies that said amounts are in Pesos according to the emergency legislation in force. See Item 3.D. Risks Factors . However, Shopping Neuquén S.A. s former shareholders have challenged the constitutionality of such legislation, and no final decision has been issued. As of November 30, 2005 the purchase price balance remains unpaid.

Shopping Neuquén S.A. s sole asset is a plot of land of approximately 50,000 square meters on which a shopping center is proposed to be built. The proposed project contemplates the building of a shopping center, a hypermarket, a hotel and a housing complex none of which have been commenced.

Legal issues with Shopping Neuquén S.A s former shareholders

On August 15, 2003 APSA was informed that the former shareholders of Shopping Neuquén S.A., who had a 85.75% interest, filed a complaint against APSA seeking recovery of the purchase price balance, interest and legal costs. In September 2003, APSA answered the complaint opposing several defenses such as, plaintiffs non-compliance with their duties under the contract and the pesification of the purchase price balance according to the emergency legislation. Moreover, APSA filed a counterclaim alleging there should be a readjustment of the effects of the contract which became excessively burdensome for unforeseeable reasons given the 2001 economic, social and political crisis. In November 2003 the plaintiffs replied to APSA s counterclaim alleging that the payment under the purchase agreement was overdue before the economic and social crisis emerged and thus APSA s contract readjustment claim was inadmissible. As of November 30, 2005 the trial is under discovery stage.

Legal issues with the Municipality of Neuquén

In June 2001 Shopping Neuquén S.A. filed a request with the Municipality of Neuquén to extend

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the construction deadlines that had been originally scheduled. In addition, it requested authorization to convey certain plots of land to third parties so that each participant to the Neuquén project would be able to build on his own land. On December 20, 2002 the Municipality of Neuquén issued Decree 1437/02 denying both requests. In addition, it declared that the rights under Ordinance 5178 had lapsed and that the land purchase agreements would be terminated. As a result, the improvements already performed by Shopping Neuquén S.A. would be lost and accrued in favor of the Municipality of Neuquén, leaving Shopping Neuquén S.A. with no right to compensation.

On January 21, 2003 Shopping Neuquén S.A. submitted its response to the Decree 1437/02 requesting its revocation. It also requested permission to submit a new construction timetable, which would be prepared in accordance with the current situation of the project, including reasonable short and medium term projections. The Municipal Executive issued Decree 585/2003 rejecting this. On June 25, 2003 Shopping Neuquén S.A. filed an administrative action with the Supreme Court of Neuquén requesting the annulment of Decrees 1437/2002 and 585/2003. On December 21, 2004, the Supreme Court of Neuquén ruled in favor of the Municipality of Neuquén, declaring that the administrative action filed by Shopping Neuquén S.A. had expired. The decision, however, is not final. APSA filed an appeal but the Supreme Court of Neuquén has not yet issued a decision with regards to its admissibility. If the appeal is declared admissible the Federal Supreme Court will give a final decision, but if it is declared inadmissible APSA will file an appeal directly with the Federal Supreme Court.

Shopping Neuquén S.A. is currently seeking to negotiate with the Municipality of Neuquén the terms of an agreement that might permit reactivation of the proposed development. Nevertheless, APSA cannot give you any assurance that APSA will be able to achieve such an agreement on commercially reasonable terms, if at all, and if APSA cannot, the Municipality of Neuquén would be entitled to request the restitution of the property and APSA will likely lose all or substantially all of its investment which amounts to Ps. 10 million.

APSA maintains a provision of Ps. 2.3 million which represents APSA s best estimate of the probable loss to be incurred in connection with these claims.

IRSA s real estate activities through subsidiaries and joint ventures are subject to additional risks.

IRSA conducts a substantial part of its real estate activities through subsidiaries and strategic alliances with other companies. One of its principal investments is APSA where IRSA owns a majority of the voting stock. In the future, IRSA may increase its real estate activities through such vehicles. As a result, IRSA depends to a certain extent on the successful operation of subsidiaries and strategic alliances and upon income, dividends and other distributions from these entities to maintain its profitability, liquidity and growth. Moreover, joint ownership of properties involves additional risks. For example, IRSA s partners or co-investors may:

- become bankrupt or insolvent;
- develop business objectives or goals which are different from IRSA s; or
- take actions that are contrary to IRSA s instructions or that are otherwise contrary to its interests.

IRSA s development and construction activities are inherently risky.

IRSA is engaged in the development and construction of office, retail and residential properties, generally through third-party contractors. Risks associated with IRSA s 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, making a project unprofitable;

occupancy rates and rents of a newly completed project may be insufficient to make such project profitable;

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

IRSA may be unable to obtain financing on favorable terms for the development of the project;

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, all necessary zoning, land-use, building, occupancy and other required governmental permits and authorizations.

IRSA is subject to shopping center operating risks 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;

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 obligations due to the increase in expenses.

Moreover, the shopping center business is closely related to consumer spending, and, therefore, to the economy in which such customers are located. All of IRSA s shopping centers are located in Argentina, and, as a consequence, their business has been seriously affected by the Argentine recession. Unemployment, political instability and inflation have reduced consumer spending in Argentina, lowering tenants sales and forcing some of them to leave IRSA s shopping centers. This has reduced the occupied space and consequently, IRSA s revenues.

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

During the last years, retail sales by means of the Internet have grown significantly in Argentina even though the market share of Internet sales related to retail sales is still not significant. The Internet

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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, at home, work or elsewhere, to shop electronically for retail goods, and that this trend will continue. If e-commerce and retail sales through the Internet continue to grow at current rates, consumers reliance on traditional distribution channels such as IRSA s shopping centers could be materially diminished, having a material adverse effect on IRSA´s financial condition, results of operations and prospects.

IRSA s future acquisitions may be unprofitable.

IRSA intends to acquire additional properties to the extent that they meet its investment criteria. Acquisitions of commercial properties entail general investment risks associated with any real estate investment, including:

- the risk that investments may fail to perform as expected, and
- the risk that estimates of the cost of improvements needed to bring the property up to established standards for the market might prove to be inaccurate.

IRSA s shopping center business is subject to competitive pressure.

All of IRSA s shopping centers are located in Argentina. There are other shopping centers and numerous smaller retail stores and residential properties within the market area of each of its properties. The number of competitive properties in a particular area could have a material adverse effect on IRSA s ability to lease retail space in its shopping centers or sell units in its residential complexes and on the rent price or the sale price that IRSA is able to charge. To date, there have been relatively few companies competing with IRSA for shopping center properties, and, as additional companies become active in the Argentine shopping center market in the future, such competition could have a material adverse effect on IRSA s results of operations.

IRSA is subject to the risk of payment defaults due to its investments in credit card businesses through its subsidiary APSA.

Investments in credit card businesses can be adversely affected by delinquency on credit card accounts, defaults in payments by credit card holders, judicial enforcement for the collection of payments, doubtful accounts or loss of receivables. The present rates of delinquency, collection proceedings and loss of receivables may vary and be affected by numerous factors, which among others include:

- adverse changes in the Argentine economy;
- adverse changes in the regional economies;
- political instability;

increase of unemployment; and

salary depreciation.

These and other factors may have an adverse effect on present rates of delinquency, executions and losses, any one or more of which could have a material adverse effect on the results of operations of IRSA s credit card business. In addition, if IRSA s credit card business is adversely affected by one or more of the above factors, the asset quality of IRSA s securitized receivables are also likely to be adversely affected. Therefore, IRSA could adversely be affected to the extent that at such time IRSA holds a participating interest in any such securitized receivables.

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IRSA may not be able to recover the mortgage loans that 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, its mortgage loans were U.S. Dollar-denominated and accrued interest at a fixed interest rate ranging generally from 10% to 15% per year and for terms ranging generally from 1 to 15 years. However, on March 13, 2002, the Argentine Central Bank converted all U.S. Dollar denominated debts into Pesos at the exchange rate of Ps. 1.00 to U.S. Dollars 1.00 and imposed maximum interest rate on mortgage loans of 3% for residential mortgage loans granted to individuals and 6% for mortgage loans granted to business organizations. These modifications adversely affected the U.S. Dollar value of IRSA s outstanding mortgage loans which at June 30, 2004, aggregated approximately Ps. 1.4 million.

IRSA is subject to risks normally associated with providing mortgage financing, including the risk of default in the payment of principal and interest, which could adversely affect IRSA s cash flow. Argentine law imposes significant restrictions on IRSA s ability to foreclose and auction properties. Thus, if there is a default under a mortgage loan, IRSA does not have the right to foreclose on the unit. Instead, in order to reacquire a property, IRSA is required to purchase each unit at a public court ordered auction, or at an out-of-court auction, in accordance with Law No. 24,441. However, the Public Emergency Law established the suspension of all the judicial and non-judicial enforcements including the enforcement of mortgages and pledges, regardless of its origin.

Law No. 25,798 enacted on November 5, 2003 and regulated by Decrees No. 1284/2003 and No. 352/2004 sets forth a system to refinance delinquent mortgage loans in order to prevent foreclosures of the housing units constituting the only dwelling of debtors (the Mortgage Refinancing System). The system comprises both delinquent debtors in the financial system and those outside the financial system. Pursuant to Law No. 25,798, a trust is created whose assets shall be composed of financial resources to be contributed by the Argentine government and the income derived from the amortization installments of refinanced loans. The Argentine National Bank (*Banco de la Nación Argentina*), in its capacity as trustee of the trust, shall enter into refinancing agreements with the debtors under the following terms: a grace period of one year and amortization in monthly installments not to exceed 30% of the aggregate income of the family living in such housing unit. Banco de la Nación Argentina will then issue bonds that shall be delivered in lieu of payment to the mortgagee and will subrogate the mortgagee s rights with regards to the debtors. The amounts to be refinanced may not exceed the appraisal value of the secured real property, after deduction of debts for taxes and maintenance expenses. The trust shall pay the mortgagee only the amount corresponding to overdue defaulted principal and, with regards to the outstanding debt, Banco de la Nación Argentina shall repay principal plus interest and adjustments according to the terms and conditions of the original mortgage loan agreement. The parties to secured loan agreements were given a period to express their consent to the Mortgage Refinancing System. This term was extended twice, first by Decree No. 352/2004 and then by Law No. 26,062 effective as of November 4, 2005. The latter not only extends the term 120 days as from the day of its publication but also suspends foreclosure proceedings for the same period.

We cannot assure that laws and regulations related 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.

IRSA s subordinated participations in securitized mortgage loans may have no value.

Additionally, on December 2001, IRSA securitized almost the entire mortgage portfolio held by them since late 1992, amounting to Ps. 29.9 million, through the sale of this portfolio to Fideicomiso

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IRSA I. Banco Sudameris Argentina acted as trustee and collection agent for the trust. Fideicomiso IRSA I issued four classes of participation certificates under a scheme of complete subordination, in which each class is serviced only upon the total payment of the preceding senior class. IRSA held all of the Class B, Class C and Class D participation certificates and approximately 10% of the Class A certificates. Class D certificates represent the most junior class. They have no fixed return and will yield the funds remaining in the trust after Classes A, B and C and all the expenses of the trust have been completely paid.

This portfolio was originally denominated in U.S. Dollars and mandatorily converted into Pesos in January 2002. Additionally, mortgages in the trust were subject to inflation adjustment between February and April 2002. Following these changes, the terms and conditions of the certificates of deposit issued by the trust were modified to reflect changes in the underlying assets. In May 2002, inflation adjustment on residential mortgages granted to individuals was eliminated until October 2002, when adjustment was performed according to a different inflation index, the CVS. Pursuant to Decree 117/04 and Law No. 25,796, the CVS became unenforceable on April 1, 2004. The terms and conditions of the certificates of deposit were modified again to reflect this new change.

The portfolio value has declined due to the current economic crisis in Argentina, and as a result we cannot assure you that the trust will have sufficient funds to service the subordinated certificates held by IRSA. If there are not sufficient funds, the value of these bonds might be considerably reduced or even equal to zero. As of June 30, 2005, Classes A, B and C were completely amortized. As of June 30, 2005, Class D s face value amounted to Ps. 10.3 million and the present value amounted to Ps. 3,259 for IRSA, Ps. 519 for Inversora Bolívar S.A and Ps. 134 for Baldovinos S.A.

We cannot assure you that the theoretical cash flow to be generated by the participation certificates owned by IRSA (and included in the annual report), will represent actual results. Successive changes in the terms and conditions of the underlying assets have been occurring since January 2002 and additional modifications might be introduced by fiscal authorities or the Ministry of Economy and Production, which could further affect respective cash flows.

IRSA is subject to risks affecting the hotel industry.

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

In addition to the general risks associated with investments in Argentina and in real estate discussed elsewhere in this section, the profitability of IRSA s hotels depends on:

- IRSA s ability to form successful relationships with international operators to run its hotels;
- changes in travel patterns, including seasonal changes; and
- taxes and governmental regulations affecting wages, prices, interest rates, construction procedures and costs.

IRSA is dependent on its senior manager and chairman Eduardo Elsztain.

IRSA s success depends, to a significant extent, on the continued employment of Eduardo S. Elsztain, its chief executive officer, president and chairman of the board of directors. The loss of his services could have a material adverse effect on IRSA s business. IRSA s future success also depends in part upon its ability to attract and retain other highly qualified personnel. We cannot assure you that IRSA will be successful in hiring or retaining qualified personnel.

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IRSA s investment in Banco Hipotecario subjects IRSA to risks affecting the banking sector.

IRSA has an investment in the banking sector, a different industry with different risks from its core business. As of June 30, 2005, IRSA owned 11.76% of *Banco Hipotecario*, which represented 9% of its consolidated assets. *Banco Hipotecario.*has been the leading mortgage lender, largest mortgage servicer and provider of mortgage-related insurance in Argentina. Substantially all of its operations, property and customers are located in Argentina. Accordingly, the quality of its loan portfolio and its financial condition and results of operations depend to a significant extent on macroeconomic 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, described above, have had and may continue to have a material adverse effect on *Banco Hipotecario* s business, financial condition and results of operations.

Banco Hipotecario relies strongly on mortgage lending and its ability to continue to develop its financial intermediation strategy depends in part on Banco Hipotecario s ability to successfully implement their new business 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 historical concentration in this recession-sensitive sector, *Banco Hipotecario* is particularly vulnerable to adverse changes in economic and market conditions in Argentina due to their adverse effect on (i) demand for new mortgage loans and (ii) the asset quality of outstanding mortgage loans.

In 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 product offerings and transforms itself into a financial institution that no longer relies solely on mortgage lending.

In the past two years *Banco Hipotecario* has made several investments designed to enable the development of retail banking activities. *Banco Hipotecario* must overcome significant challenges to achieve this goal including, 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, *Banco Hipotecario* cannot give any assurance that it will be successful in developing significant retail banking activities in the foreseeable future, if at all. If *Banco Hipotecario* is unable to effectively transition to a new and viable operating model, it cannot assure that it will be able to comply with its debt obligations.

Banco Hipotecario cannot assure that its business or diversification strategy will be successfully achieved to the extent it requires concurrence or approval of the Argentine government, with whom it has recently disagreed.

Banco Hipotecario faces significant challenges in seeking to develop its business plan through internal growth and therefore continuously explores the possibility of acquiring other banks or financial institutions or a significant portion of their assets and liabilities. The fast pace of change in the Argentine financial system may require *Banco Hipotecario* to take advantage of opportunities and make decisions on an expedited basis, which may prove difficult to accomplish given applicable regulatory requirements, and the requirement that the Argentine government, as one of its shareholders, approve certain transactions. These acquisition opportunities may require *Banco Hipotecario* to incur additional debt or other direct or contingent liabilities, and its ability to incur such liabilities is limited. In addition, any such acquisitions would likely divert a significant amount of its management s attention to the integration of these businesses into *Banco Hipotecario* s current operations.

The Argentine government, one of *Banco Hipotecario* s major shareholders, has a golden share , meaning that it has an effective veto with respect to transactions involving any merger *Banco Hipotecario* may contemplate in the future. The Argentine government has also disagreed with *Banco Hipotecario* over other issues, such as board compensation. If we, as shareholders, are not able to receive government support to successfully implement new business strategies *Banco Hipotecario* s financial condition may be adversely affected.

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

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. *Banco Hipotecario* s bylaws provide that if at any time the Class A shares represent less than 42% of its aggregate voting stock, Class D shares will automatically lose their triple voting rights. If this were to occur and if the Argentine government retained a sufficient number of Class A shares, the government would prevail in general shareholder meetings (except for certain decisions that require qualified majorities) and exercise effective control over the decisions to be submitted to the consideration of such meetings.

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

Financial institutions are subject to significant regulation historically entrusted to the Argentine Central Bank and other regulatory authorities. Measures adopted by the Argentine Central Bank have had and may continue to have a material adverse effect on *Banco Hipotecario* s financial condition and results of operations. On July 25, 2003, the Argentine Central Bank announced its intention to adopt new capital adequacy requirements, effective as of January 2004 that it will implement gradually through 2009. In addition, the International Monetary Fund and other multilateral agencies have been encouraging the Argentine government to impose minimum capital adequacy, solvency and liquidity requirements consistent with international standards, which could impose operating restrictions on *Banco Hipotecario*.

Similarly, the *Comisión Nacional de Valores*, which regulates the public markets in Argentina, has authority to impose sanctions on *Banco Hipotecario* and its board of directors for breaches of corporate governance and market regulatory standards.

Laws and decrees implemented during the outburst of the economic crisis in 2002 had substantially altered contractual obligations. Recently, various initiatives have been presented to Congress intended to reduce or eliminate a portion of its mortgage loan portfolio on the debt owed to *Banco Hipotecario*. Also, there were initiatives intended to review the terms pursuant to which Banco Hipotecario Nacional, the bank s predecessor, was privatized. As a result, we cannot assure you that the legislative branch will not enact new laws that will have a significant adverse effect on *Banco Hipotecario* s shareholders equity or that, if this were to occur, that the Argentine government would compensate *Banco Hipotecario* for the resulting loss.

Uncertainties affecting Banco Hipotecario s business could negatively affect the value of IRSA s investment.

Banco Hipotecario s financial condition and results of operations depend to a significant extent on macroeconomic and political conditions prevailing from time to time in Argentina. The political and

economic crisis of late 2001 and early 2002 and the Argentine government s actions to address such crisis have had a significant adverse effect on *Banco Hipotecario* s business activity. Currently, *Banco Hipotecario* is highly dependent on the Argentine government s ability to perform its obligations owed to *Banco Hipotecario.* and to the entire financial system in Argentina, in connection with Federal secured loans, federal government securities and its obligation to approve and deliver government securities under various laws and regulations. As of June 30, 2005, IRSA owned 11.76% of *Banco Hipotecario*, 5.22% of such ownership was through IRSA s subsidiary Ritelco S.A. The future outcome of the uncertainties described above could have an adverse effect on the value of IRSA s investment in *Banco Hipotecario*.

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 214/02 and its implementing regulations, pesified assets and liabilities were adjusted for inflation as of February 3, 2002 by application of the CER. 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 on property constituting a borrower s dwelling may be adjusted for inflation only pursuant to CVS index, which during 2002 was significantly less than inflation as measured by the wholesale price index. Through December 31, 2002, the wholesale price index 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 wholesale price index, 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 were adjusted for inflation in accordance with the CER, 30% were adjusted in accordance with the CVS and 60% remain entirely unindexed. Additionally, 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 mortgage loans. The CVS increased until its repeal by 5.3% whereas the increase in CER was 5.5% as of December 31, 2004 and the wholesale price index increased by 7.9%. Argentina s history 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 in 2002 and 2003, *Banco Hipotecario* s mortgage loan portfolio experienced significant erosion in value. If inflation were to increase significantly once again, it might continue to materially erode 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.

If Banco Hipotecario s ratio of non-performing loans increases significantly, Banco Hipotecario s operating results could be materially adversely affected.

Banco Hipotecario has traditionally been an active lender to individuals in the middle and lower-middle income segment of the population. The quality of *Banco Hipotecario* s loan portfolio to such individuals is highly dependent on household income. In 2000, *Banco Hipotecario* established a Ps.550.2 million provision for loan losses in an effort to rectify recurring asset quality problems in its pre-1991 loans (and in certain post-1991 loans). The overall asset quality of *Banco Hipotecario* s mortgage loan portfolio has been materially and adversely affected by the Argentine crisis of 2002 and 2003 and its aftermath. According to INDEC, the official unemployment rate was 12.1% in the second quarter of 2005, and household disposable income decreased significantly as a result of continuing high inflation rates. As of June 30, 2005, *Banco Hipotecario* s non-performing mortgage loans represented 10.1% of its total loan portfolio compared to 11.3% as of December 31, 2004. Should political and macroeconomic uncertainties persist, including further high levels of inflation, such circumstances might lead to continuing increases in the level of *Banco Hipotecario* s non-performing loan portfolio, provisions for loan losses and charge-offs, all of which would have a substantial adverse effect on its financial condition and results of operations.

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Banco Hipotecario s ability to foreclose on mortgaged collateral has been materially impaired.

Like other mortgage lenders, the ability to foreclose on mortgaged collateral to recover delinquent mortgage loans is very important in conducting a 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. By agreement reached between the Argentine Banking Association and the Argentine government, *Banco Hipotecario* and other large financial institutions voluntarily agreed to continue the suspension of bankruptcy and foreclosure proceedings due to the likelihood of significant social and political resistance to any collection efforts, particularly in light of social protests at the time directed at commercial banks. Moreover, on June 2, 2003, the Congress passed a law formally suspending *Banco Hipotecario* s ability to foreclose on mortgaged properties for a term of ninety days (ending on November 14, 2003), reinstating the earlier formal suspension on foreclosures.

Moreover, on January 17, 2005, the Province of Buenos Aires enacted Law No. 13,302 suspending foreclosures on real estate that constitutes the debtor s primary dwelling within the territory of such province for a period of 180 days, provided that the current tax value of such real estate does not exceed Ps.90,000. This limitation of Law No. 13,302 has expired. Furthermore, this provincial law establishes that the above mentioned suspension of foreclosure on the debtor s primary dwelling will be extended to one year in the case of unemployed borrowers, as of the date of enactment of that law.

Law No. 25,798 enacted on November 5, 2003 and regulated by Decrees No. 1284/2003 and No. 352/2004, among others, sets forth a system to refinance delinquent mortgage loans in order to prevent foreclosures of the housing units constituting the only dwelling of debtors (the Mortgage Refinancing System). The system comprises both delinquent debtors in the financial system and those outside the financial system. Financial institutions are free to adhere to the system, and should they decide to do so, they may refinance their mortgage loan portfolio eligible for foreclosure either in whole or in part. Pursuant to Law No. 25,798, a trust is created whose assets shall be composed of financial resources to be contributed by the Argentine government and the income derived from the amortization installments of refinanced loans. Banco de la Nación Argentina, in its capacity as trustee of the trust, enters into refinancing agreements with the debtors under the following terms: a grace period of one year and amortization in monthly installments not to exceed 30% of the aggregate income of the family living in such housing unit. Banco de la Nación Argentina will then issue bonds that shall be delivered in lieu of payment to mortgagees and will subrogate the mortgagees rights with regards to the debtors. The amounts to be refinanced may not exceed the appraisal value of the secured real property, after deduction of debts for taxes and maintenance expenses. The trust shall pay the mortgagee institutions only the amount corresponding to overdue defaulted principal and with regards to the outstanding debt, Banco de la Nación Argentina shall repay principal plus interest and adjustments according to the terms and conditions of the original mortgage loan agreement. Financial institutions were given until June 22, 2004 to accept this Mortgage Refinancing System. This term was extended twice first by Decree No. 352/2004 and then by Law No. 26,062 effective as of November 4, 2005. The latter not only extends the term 120 days as from the day of its publication but also suspends foreclosure proceedings for the same period.

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

Banco Hipotecario s mortgage loan portfolio was materially and adversely affected by the devaluation of the Peso and may be further impacted by future fluctuations in exchange rates.

While the Convertibility Law was in effect, *Banco Hipotecario* had no exchange rate risk with respect to its Peso-denominated revenues. However, its repeal on January 7, 2002 and the subsequent

devaluation of the Peso have had the effect of significantly reducing its shareholders equity and *Banco Hipotecario* s net income due to the mismatch between *Banco Hipotecario* s Peso-denominated revenues and its significant U.S. Dollar obligations, particularly in light of the pesification of its U.S. Dollar-denominated mortgage loans described below. On January 11, 2002, the Peso began to float freely for the first time in eleven years trading at Ps.1.40 = US$1.00; however, the Peso has devalued significantly, trading as low as Ps.3.90 = US$1.00 in June 2002, as reported by Banco de la Nación Argentina. Since then, the value of the Peso has begun to recover and on November 30, 2005, the exchange rate as reported by Banco de la Nación Argentina was approximately Ps.2.96 = US$1.00.

Beginning on February 3, 2002, the Argentine government converted (i) certain foreign currency-denominated debts into Peso-denominated debts at a one-to-one exchange rate, (ii) certain foreign currency-denominated public sector debts into Peso-denominated assets at an exchange rate of Ps.1.40 per US$1.00 and (iii) foreign currency-denominated bank deposits into Peso-denominated bank deposits at an exchange rate of Ps.1.40 per US$1.00. As a result, 100% of *Banco Hipotecario* s mortgage loans denominated in foreign currency were converted to Pesos at a one-to-one exchange rate and 100% of Argentine government securities *Banco Hipotecario* held, including federal, provincial and municipal bonds, were converted to Pesos at an exchange rate of Ps.1.40 per US$1.00. On the other hand, less than 8% of its liabilities denominated in foreign currency were converted to Pesos at an exchange rate of Ps.1.40 per US$1.00, and the remainder of its liabilities remained denominated in foreign currency.

Due to the fact that *Banco Hipotecario* s loan portfolio now generates interest income only in Pesos, any further devaluation of the Peso against the U.S. Dollar or the Euro will further impair its ability to make payments on its liabilities denominated in such currencies. Moreover, although the Argentine government has issued National Government Compensating Bonds (BODEN) that are intended to compensate *Banco Hipotecario* in part for its losses resulting from pesification, *Banco Hipotecario* cannot assure us that the Argentine government will honor its obligations to deliver the additional BODEN to which *Banco Hipotecario* is entitled, or that any BODEN it may receive will be sufficient to compensate adequately for the harm caused by the asymmetric pesification of its assets and liabilities. Additionally, *Banco Hipotecario* cannot assure us that future exchange rate policies to be implemented by the Argentine government will not further affect its financial condition and the results of its operations; and if such were the case, *Banco Hipotecario* cannot ensure that the Argentine government will compensate such differences nor up to which amount.

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

The asymmetric pesification of *Banco Hipotecario* s assets and liabilities created a significant currency mismatch between *Banco Hipotecario* s pesified loans and non-pesified debt denominated in foreign currencies. On September 16, 2002, *Banco Hipotecario* requested the Argentine government to deliver US$ 418.5 million U.S. Dollar-denominated BODEN issued as compensation for the negative effects of pesification. Further, *Banco Hipotecario* has elected to acquire US$ 812.2 million additional BODEN to eliminate this currency mismatch. In April 2005, *Banco Hipotecario* filed a recalculation of compensation in response to the Argentine Central Bank s objections and requested for amendments to its original calculation, requiring US$ 374.7 million of BODEN issued as compensation for the pesification and additional US$ 845.7 million BODEN to eliminate the currency mismatch. To the extent domestic inflation exceeds the rate of devaluation of the Peso against the U.S. Dollar, the value of *Banco Hipotecario* s BODEN holdings will erode. Moreover, the BODEN are long-term bonds denominated in U.S. Dollars that currently bear interest at a rate equal to six-month LIBOR, while their plan to purchase is to be funded by additional BODEN with Central Bank advances adjusted by CER that bear interest at a rate of 2%.

As of June 30, 2005 and at December 31, 2004, *Banco Hipotecario* s foreign currency-denominated assets exceeded its foreign currency denominated liabilities by US$350.4 million and US$350 million, respectively. Substantially all of *Banco Hipotecario* s foreign currency assets consist of

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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 depreciate against the Peso or that we will not be adversely affected by *Banco Hipotecario* s exposure to risks of exchange rate fluctuations.

Because of Banco Hipotecario s large holdings of BODEN and guaranteed government loans, Banco Hipotecario has significant exposure to the Argentine public sector.

On June 1, 2002, the Argentine *government* announced that it would issue BODEN to compensate financial institutions for the adverse effects of pesification. Accordingly, on September 16, 2002, *Banco Hipotecario* notified the Argentine Central Bank its option to (i) receive US$ 418.5 million in U.S. Dollar-denominated BODEN, as compensation for the pesification of certain of its assets and liabilities at different exchange rates, and (ii) purchase US$ 812.2 million in additional U.S. Dollar-denominated BODEN, as compensation for the currency inconsistency between *Banco Hipotecario* s non-pesified liabilities and pesified assets. In April 2005, *Banco Hipotecario* filed a recalculation of compensation in response to the Argentine Central Bank s objections and requests for amendments to *Banco Hipotecario* s original calculation, requiring US$ 374.7 million of BODEN in U.S. Dollars issued as compensation for the pesification and an additional US$ 845.7 million of BODEN designed to eliminate the currency mismatch. On June 30, 2005, *Banco Hipotecario* had received approximately US$ 356.0 million of BODEN issued as compensation for the pesification, but no BODEN was issued to eliminate the currency asymmetry. As a result, including the additional BODEN that *Banco Hipotecario* expects to acquire (recorded at nominal value), as of June 30, 2005 *Banco Hipotecario* s holdings of Argentine government securities and loans to the Argentine government represented approximately 53.8% of *Banco Hipotecario* s total assets.

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 mid-2005. Additionally, the Argentine government has incurred, and is expected to continue to incur, significant new debt obligations, including the issuance of compensatory bonds to financial institutions. Given *Banco Hipotecario* s BODEN holdings, *Banco Hipotecario* has a significant exposure to the Argentine government s solvency. Further, defaults by the Argentine government on its debt obligations, including the BODEN and other government securities (such as the guaranteed government loans) held by *Banco Hipotecario*, would materially and adversely affect its financial condition which would in turn affect IRSA s investment.

Banco Hipotecario faces potential material litigation which could adversely affect its financial condition and results of operations.

As of May 31, 2005, approximately 3,894 borrowers of pre-1991 loans had initiated legal proceedings against *Banco Hipotecario*, alleging that the write-down performed on the balance of such loans did not complying with the Privatization Law. As of that date those loans had an aggregate outstanding balance of approximately Ps.87 million. If *Banco Hipotecario* does not prevail in these proceedings or settles the claims, or if more borrowers bring similar claims against them, *Banco Hipotecario* may need to effect substantial write-downs on the affected loans. The majority of the borrowers involved in this litigation have obtained a preliminary injunction ordering *Banco Hipotecario* to charge a lower service of capital and interest with respect to the amount previously determined. *Banco Hipotecario* cannot assure you that additional borrowers will not bring similar lawsuits against them objecting to the adequacy of the write-down of balances to the Privatization law, nor that the courts will not issue other decisions against *Banco Hipotecario* in relation to such lawsuits. If *Banco Hipotecario* loses this litigation, is unable to settle claims or more borrowers bring similar claims against it, they may be required to write-down significant amounts that we had previously capitalized. Any one or more of these events may materially and adversely affect *Banco Hipotecario* s business, financial condition or results of operations.

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In May 2003, an Argentine court entered a judgment directing *Banco Hipotecario* to pay an amount that, at the date of the judgment, was approximately Ps.40 million in connection with a proceeding initiated by a private developer who received financing for the construction of certain projects. The developer alleged that *Banco Hipotecario* breached certain of the original conditions of the financing contract and the operating framework of such financing, including failure to make funds available pursuant to the loan agreement. *Banco Hipotecario* currently faces other similar claims by other private developers or construction companies that involve approximately Ps.300 million in the aggregate. Although *Banco Hipotecario* has appealed the May 2003 judgment and believes that its appeal may be successful, the possible confirmation of the judgment and/or eventual extension of the ruling to other proceedings could materially adversely impact *Banco Hipotecario* s financial condition and results of operations.

In addition, an Argentine social security agency has filed suit seeking summary judgment against *Banco Hipotecario* alleging that it owes Ps.335 million in employer contributions to the pension plan that were not made by *Banco Hipotecario* s predecessor, *Banco Hipotecario Nacional*. This claim has been dismissed in a judgment entered by the lower court. Although the plaintiff has filed an appeal, *Banco Hipotecario* considers that the Privatization Law under which it was privatized clearly precludes them from being liable for these payments and establishes that this is an exclusive obligation of the Argentine government. Nonetheless, a court may rule against *Banco Hipotecario* and this may have a material adverse effect on its financial condition and results of operations.

A number of lawsuits filed against Banco Hipotecario by certain holders of their bonds could adversely affect Banco Hipotecario s liquidity.

In the course of the last two years *Banco Hipotecario* has been sued in Argentine courts by individual bondholders seeking summary judgments based on *Banco Hipotecario* s defaulted payment of amounts due on their notes issued prior to their debt restructuring. In each of these lawsuits, the lower courts had rendered a decision favorable to holders of *Banco Hipotecario* s existing notes. At the closing of *Banco Hipotecario* s exchange offer, existing bondholders, representing 5% of the principal amount subject to restructuring did not participate in the offering. Currently, approximately 3% of this debt remains outstanding. To the extent such bondholders initiate other lawsuits against *Banco Hipotecario*, it may be required to make additional payments to settle or satisfy possible adverse judgments which may adversely affect its liquidity.

Risks Related to IRSA s Global Depositary Shares and the Shares

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

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

The Global Depositary Shares are freely transferable under U.S. securities laws, including shares sold to IRSA s affiliates. Cresud, which as of November 30, 2005 owned approximately 21.1% of IRSA s common shares (or approximately 77,850,702 common shares which may be exchanged for an aggregate of 7,785,070 Global Depositary Shares), is free to dispose of any or all of its common shares or Global Depositary Shares at any time in its discretion. Sales of a large number of IRSA s common shares and/or Global Depositary Shares would likely have an adverse effect on the market price of IRSA s common shares and the Global Depositary Shares. Different Corporate Disclosure and Accounting Standards.

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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 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 which differs 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 its 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 its directors and IRSA s senior managers, and most of its 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 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 its Argentine legal 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 U.S. 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, United States holders of its equity securities would suffer negative consequences.

IRSA has not made a determination as to whether it is, or may be, a passive foreign investment company (PFIC) for United States federal income tax purposes for the fiscal year ending June 30, 2005. Because the determination of whether IRSA is a PFIC is an annual determination based upon the composition of its assets and income, it is possible that IRSA may be a PFIC in the current year or that IRSA may become a PFIC in the future. The volatility and instability of Argentina s economic and financial system may substantially affect the composition of IRSA s income and assets. If IRSA owns at least 25% by value of the stock of another corporation, it will be treated for purposes of the PFIC tests as owning a proportionate share of the assets of the other corporation, and as receiving directly a proportionate share of the other corporation s income. If IRSA is or becomes a PFIC, United States holders of its shares or Global Depository Shares will be subject to certain United States federal income tax rules which will have negative consequences on them such as additional tax and an interest charge upon certain distributions or upon sales or other disposition of its shares or Global Depository Shares at a gain, as well as reporting requirements. See Item 10.E. Taxation-United States Taxation of IRSA s 20-F for a more detailed discussion of the consequences of IRSA being deemed a PFIC. Investors are urged to consult their tax advisors regarding the application of the PFIC rules to them.

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Item 4. Information on the Company

A. HISTORY AND DEVELOPMENT OF CRESUD

General Information

Our legal name is Cresud Sociedad Anónima Comercial, Inmobiliaria, Financiera y Agropecuaria. 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.

History

We were incorporated and organized on December 31, 1936 under Argentine law as a stock corporation (sociedad anónima), and were registered with the Public Registry of Commerce of the City of Buenos Aires (*Inspección General de Justicia*) on February 19, 1937. We were incorporated in 1936 as a subsidiary of Credit Foncier, a Belgian company engaged in, among other things, the business of providing rural and urban loans in Argentina. We were incorporated to, among other things; 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, on December 12, 1960, were listed on the Buenos Aires Stock Exchange. From the 1960s to 1970s, our business shifted to exclusively agricultural activities.

During a period of approximately two years and ending in September 1994, Dolphin Fund Management S.A. acquired on behalf of certain investors an aggregate of 22% of our outstanding shares on the Buenos Aires Stock Exchange. In September 1994, an investor group led by Dolphin Fund Management S.A. and including Dolphin Fund plc. (formerly Quantum Dolphin plc.) acquired the control by purchasing an additional 51.4% of our outstanding shares. In November 1994, the investor group acquired an additional 13.6% of our outstanding shares. On May 29, 1995, we completed a rights offering in Argentina which was fully subscribed and added paid-in capital of Ps. 144.9 million (including prior capital contributions of the investor group of Ps. 61.8 million). On December 31, 1996, Dolphin Fund plc, owned 39.0% of our shares.

From June 30, 1994 (approximately two months prior to the change of control) to June 30, 1996, our net worth increased from approximately Ps. 37.6 million to Ps. 196.3 million, our total assets have increased from Ps. 40.5 million to Ps. 210.8 million, the number of our farms increased from seven to sixteen, the number of our hectares from approximately 20,263 to 345,410, the number of our leased hectares from 5,350 to 16,381, the number of our hectares sown from 4,719 to 15,839, the number of our leased hectares sown from 736 to 6,227 hectares, the number of beef-cattle heads from 20,177 to 58,346 and the number of our cattle head involved in milk production from approximately 1,669 to approximately 4,262.

From December 2000 to June 2005, we invested approximately Ps. 197.35 million to acquire approximately 21.79% of the outstanding shares of IRSA. In addition, we owned IRSA s Convertible Notes for a total amount of US$ 36.5 million. Consequently, as of June 30, 2005, our investment in IRSA amounted to Ps. 349.0 million representing 46.94% of our consolidated assets. IRSA is one of Argentina s largest real estate companies. As of June 30, 2005, IRSA had total assets of Ps. 2,524.4 million, and its net income for the fiscal year ended June 30, 2005, was Ps.

103.2 million.

As of June 30, 2005, our net worth was Ps. 523.1 million and total assets were Ps. 743.4 million. As of June 30, 2005, we owned 17 farms together with our subsidiaries and 395,136 hectares, including

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35.723% of the 8,299 hectares owned by Agro-Uranga S.A. and 50% of the 170 hectares owned by Cactus Argentina S.A. As of June 30, 2005, 40,722 hectares were sown (including 35.723% of the 12,397 hectares sown by Agro-Uranga S.A.), 16,299 leased hectares were sown, we had 83,859 beef-cattle heads (including 35.723% of the 752 owned by Agro-Uranga S.A.) and 1,452 cows were involved in milk production (including 35.723% of the 672 cows owned by Agro-Uranga S.A.). For fiscal year ended June 30, 2005, our total sales totalled Ps. 78.2 million.

Capital expenditures totaled Ps. 25.9 million, Ps. 15.2 million and Ps. 31.1 million for the fiscal years ended June 2005, 2004 and 2003, 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.

Our future capital expenditures for fiscal year 2006 will depend on the prevailing prices of land for agriculture and cattle as well as the evolution of commodity prices.

For the fiscal year ended June 30, 2005, our main investments consisted of Ps. 12.5 million in the acquisition of real estate, Ps. 0.2 million in improvements, Ps. 0.1 million in furniture and equipment, Ps. 4.2 million in facilities, Ps. 1.1 million in new pastures, Ps. 0.3 million in vehicles, Ps 0.6 million in construction, Ps. 1.8 million in machinery, Ps. 0.3 million in computer and communication accessories, Ps. 4.6 million in construction in progress (including Ps. 3.7 million from the development of our farm Los Pozos adding more space for agricultural and cattle production), Ps. 0.1 million in feed lot and Ps. 0.1 million in advances.

For the fiscal year ended June 30, 2004, our main investments consisted of Ps. 2.7 million in the acquisition of real estate, Ps. 0.1 million in improvements, Ps. 0.1 million in furniture and equipment, Ps. 1.6 million in facilities, Ps. 0.4 million in new pastures, Ps. 0.5 million in vehicles, Ps 0.1 million in construction, Ps. 0.1 million in machinery, Ps. 0.1 million in computer and communication accessories, Ps. 8.8 million in construction in progress (including Ps. 4.2 million from the development of our Los Pozos farm adding more space for agricultural and cattle production and Ps. 3.8 million from the development of hectares to be used in agriculture under irrigation in our La Gramilla and Santa Bárbara farm), Ps. 0.6 million in feed lot and Ps. 0.1 million in advances.

For the fiscal year ended June 30, 2003, our main investments consisted of Ps. 29.4 million in acquisition of real state, Ps. 0.3 million in improvements, Ps. 0.2 million in furniture and equipment, Ps. 0.3 million in facilities, Ps. 0.3 million in new pastures, Ps. 0.3 million in vehicles and Ps 0.3 million in construction in progress.

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Business acquisitions

Year Ended June 30, 2005

On June 24, 2005, El Invierno, a farm located in Rancul, Province of La Pampa, was purchased for a total US$ 3.0 million. The farm s surface amounts to 1,946 hectares and will be destined to agricultural production.

In March 2005, we purchased 72 neighboring hectares of the farm La Adela, which is located in Lujan, Province of Buenos Aires, increasing the total surface to 1,054 hectares. The purchase amounted to Ps. 0.79 million.

Following the end of the fiscal year, in September 2005, the Company acquired three plots of land located at Department of Uruguay, Province of Entre Ríos, Republic of Argentina, with a total surface of approximately 6,022 hectares. The total purchase price amounted to US$ 16 million.

Year Ended June 30, 2004

On November 11, 2003, Feria Jovita S.R.L. repaid the commercial loan due to Cresud by executing a deed to formalize the delivery in lieu of payment of a 9-hectare farm located at Lavalle, Province of Mendoza. The value of the property is Ps. 25,600.

Year Ended June 30, 2003

On April 30, 2003 a title deed was signed for the purchase of the farm El Tigre, which has a surface area of 8,360 hectares, located at Trenel, Province of La Pampa, for the amount of US$ 9.3 million.

Farm Sales

Year Ended June 30, 2005

On February 1, 2005, we sold Ñacurutú, a 30,350-hectare farm, located in the departments of General Obligado and Vera, Province of Santa Fe. The purchase price amounted to US$ 5.6 million. This sale generated a Ps. 7.7 million profit.

On June 8, 2005, we signed the bill of sale of San Enrique, a 977-hectare farm, located in the department of General López, Province of Santa Fe. The purchase price amounted to US$ 5.0 million. This sale generated a Ps.12.3 million profit.

On February 24, 2005, the Company signed the preliminary purchase and sale agreement for the farm El Gualicho, covering 5,727 hectares, located at General Roca and Presidente Roque Saenz Peña departments, in the Province of Córdoba, for a total consideration of US$ 5.7 million. This sale will generate a profit of approximately US$ 3.4 million, once consummated. We expect to close the transaction during fiscal year 2006.

Year Ended June 30, 2004

On July 29, 2003, Inversiones Ganaderas S.A. sold three properties, which were part of the farm El Recreo, located at the Santo Domingo district, Province of Catamarca with a total surface area of 5,997 hectares for US$ 0.43 million. This sale yielded a profit of Ps. 0.58 million.

On November 26, 2003, we executed the deed for the sale of El 41 y El 42, a 6,478-hectare farm, located at Tapenagá department, Province of Chaco. The price was US$ 0.97 million. This sale generated a Ps. 1.08 million profit.

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Year Ended June 30, 2003

On April 21, 2003 a title deed was signed for the sale of the farm San Luis, with a surface area of 706 hectares and located at Junín, in the Province of Buenos Aires. The purchase price was US$ 2.2 million. This sale generated Ps. 0.6 million profit.

On April 30, 2003 a title deed was signed for the sale of the farm Los Maizales, with a surface area of 618 hectares, located at Villa Cañás district, in the Province of Santa Fe. The purchase price was fixed at US$ 1.8 million. This sale generated Ps. 4.3 million profit.

B. BUSINESS OVERVIEW

General

We are a leading Argentine producer of basic agricultural products and the only such company with shares listed on the Buenos Aires Stock Exchange and on the Nasdaq. We are currently involved in various operations and activities including crop production, cattle raising and fattening, milk production and certain forestry activities. We are not directly engaged in the real estate development business but from time to time sell properties to profit from real estate appreciation opportunities which supplement our primary operations.

Most of our farms are located in Argentina s pampas, one of the largest temperate prairie zones in the world and one of the richest areas of the world for agricultural production, covering portions of the provinces of Buenos Aires, Santa Fe, Córdoba, Chaco, San Luis, Catamarca, Salta, Entre Ríos and La Pampa. At June 30, 2005, we, together with our subsidiaries, owned 17 farms. Approximately 19,994 hectares of the land we own are productive and suitable for crop production, approximately 126,879 hectares are best suitable for beef-cattle production, and 1,583 hectares are used for milk production. The remaining 263,177 hectares are primarily natural woodlands. In addition, during fiscal year 2004, we leased farms on an aggregate total area of 9,766 hectares on 19 farms and during fiscal year 2005 we leased farms for crop production on an aggregate total area of 16,299 hectares on 22 farms for crop production.

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

	Year Ended June 30,		
	2003(1) (6)	2004(1) (7)	2005(1) (8)
	(in hectares)		
Crops(2)	27,255	27,358	40,722
Beef-Cattle(3)	135,798	125,669	126,879
Milk	977	1,001	1,776
Natural woodlands(4)	272,318	266,916	263,177

Own farmlands leased to third parties		13,996	9,978
Total[5]	436,348	434,940	442,532

(1) Includes 35.723% of approximately 8,299 hectares owned by Agro-Uranga S.A.
(2) Includes wheat, corn, sunflower, soybean, sorghum and others.
(3) Raising and fattening.
(4) We use portions of our natural woodlands to produce charcoal and fence posts and rods. See Operations and Principal Activities - Other Production.
(5) During fiscal year 2003, 2004 and 2005 the hectares leased for crop production were 14,578, 9,766 and 16,299 respectively.
(6) Includes 618 hectares of Los Maizales and 706 hectares of El Silencio/San Luis.
(7) Includes 8,360 hectares of El Tigre, purchased on April 30, 2003, and does not include 6,478 hectares of El 41-42 in relation to which a deed was executed on November 26, 2003.
(8) Includes 977 hectares of San Enrique farm and 30,350 hectares of El Ñacurutu farm sold during fiscal year 2005.

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Operations and Principal Activities

In fiscal year 2004, our operations were conducted on 18 owned farms and 19 leased farms. In fiscal year 2005, our operations were conducted on 17 owned farms and 22 leased farms. Some of the farms we own are engaged in more than one productive activity at a time. The following table sets forth, for the periods indicated below, the volumes of our production by principal product line:

	Year ended June 30,		
	2003[(1)]	2004[(1)]	2005[(1)]
Crops [(2)]	70,369	74,612	149,785
Beef-Cattle [(3)]	9,121	11,370	10,657
Milk [(4)]	6,024	6,731	7,312

(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.

Land

Land Acquisition. In our view, this sector s potential lies in developing marginal areas and/or underutilized areas, as it has been the case in many countries in the world. Thanks to current technology, we may achieve similar yields with higher profitability than core areas (includes northeast of Buenos Aires province and south of Santa Fe province); this may result in the appreciation of land values.

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

Several major brokers with whom we work on a regular basis generally bring farms available for sale to our attention. The decision to purchase land is based on an evaluation of several factors. In addition to the land s location, we normally review soil and water analyses, including the soil quality and its suitability for our intended use (crops, beef-cattle or milk production), a classification of the various sections of the parcel, the past uses of the land, a description of improvements on the land, applicable easements, rights of way or other variances of title and satellite photographs of the farm (which are useful to reveal drainage characteristics of the soil during different cycles of precipitation) and detailed comparative data regarding neighboring farms (generally within a 50-kilometer radius). Based on the foregoing factors, we evaluate the price of the farm considering the potential productivity of the land and its potential appreciation. We believe that competition for the acquisition of small land lots is generally targeted to small producers and that there is little competition for the purchase of larger lots.

In addition, we may consider purchasing marginal land and improving such land through clearing, irrigation and the installation of watering facilities in order to achieve attractive production yields and provide for potential capital appreciation.

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On June 24, 2005, El Invierno, a farm located in Rancul, Province of La Pampa, was purchased for a total US$ 3.0 million. The farm s surface amounts to 1,946 hectares and was destined to agricultural production.

Also during March 2005, we purchased 72 neighboring hectares of the farm La Adela, located in Lujan, Province of Buenos Aires, increasing the total surface to 1,054 hectares. The purchase amounted to Ps. 0.79 million.

Land Sales. From time to time we sell properties to profit from the appreciation in value of real estate. We consider the sales of land based upon a number of factors, including the expected future return from the farmland upon continued agricultural production, availability of other investment opportunities and cyclical factors affecting global agricultural land values.

The following table sets forth, for the periods indicated below, certain information concerning sales of land by us during each of the last three fiscal years ending June 30, 2005:

	Sales of Land			
Fiscal Year	**No. of Farms**	**Gross Proceeds from Sales**	**Book Value of Properties Sold**	**Gain**
		(in millions of Pesos)		
2003	2	12.0	7.1	4.9
2004 (1)	2	4.1	2.4	1.7
2005 (2)	2	29.8	9.8	20.0

(1) Including the sale of El 41-42 farm of 6,478 hectares and IGSA s land reserves for 5,997 hectares.
(2) Including the sale of Ñacurutú and San Enrique farms, of 30,350 and 977 hectares respectively. It also includes the results of the sale of a two-hectare parcel belonging to IGSA.

On February 1, 2005, we sold Ñacurutú, a 30,350-hectare farm, located in the departments of General Obligado and Vera, in the Province of Santa Fe. The purchase price amounted to US$ 5.6 million. This sale generated a Ps. 7.7 million profit.

On June 8, 2005, we sold San Enrique, a 977-hectare farm, located in the department of General López, in the Province of Santa Fe. The purchase price amounted to US$ 5.0 million. This sale generated a Ps. 12.3 million profit.

On November 26, 2003, we sold the farm El 41 y El 42 covering 6,478 hectares, located at Tapenagá, in the Province of Chaco for a total consideration of US$ 1.0 million, resulting in a gain of Ps. 1.1 million.

On July 29, 2003, our subsidiary Inversiones Ganaderas S.A. sold three properties which were part of the farm *El Recreo*, located at the Santo Domingo district, in the department of La Paz, Province of Catamarca, with a total surface area of 5,997 hectares for a total consideration of US$ 0.43 million, resulting in a gain of Ps. 0.58 million.

During fiscal year 2003 we sold the Los Maizales and *San Luis* establishments, of 618 and 706 hectares respectively, at very good prices averaging US$ 3,100 per hectare, generating a profit of Ps. 4.3 million, 69% above book value.

On April 21, 2003, a title deed was signed for the sale of the farm San Luis, with a surface area of 706 hectares and located in Junín, in the Province of Buenos Aires. The purchase price was fixed at US$ 2.2 million. This sale generated Ps. 0.6 million in profits.

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Land Leasing. Entering into a lease contract involves a similar criteria to that used for land sales, under which land quality and expected return are considered. However, our analysis is adjusted to meet our production and yield goals in the short- or medium-term. We usually learn of land available for lease directly through owners. Generally, land leases have initial terms of one season or less. Leases of land for crop production consist of lease contracts with payments based upon a fixed amount of Pesos per hectare or crop sharing agreements with payments in kind based upon a percentage of the crops harvested or a fixed amount of tons of crop harvested or its equivalent value in Pesos. Leases of land for beef-cattle raising consist of lease contracts with fixed payments based upon a fixed amount of Pesos per hectare or per the number of heads of cattle, or capitalization contracts with payments in kind or in cash based upon the number of kilograms fattened.

Land Management. Unlike traditional Argentine family-held farms, we centralize policy making in an Executive Committee, which meets on a weekly basis in Buenos Aires. Management of individual farms is delegated to farm managers who are responsible for operating their assigned farms. The Executive Committee, taking into consideration sales and market expectations and risk allocation, establishes production and commercial guidelines.

We rotate the use of our pastures between crop production and grazing with a frequency that depends on the location and characteristics of the land. Land use is typically rotated between four years of grazing and four to twelve years of crop production, depending on the region. The use of conservation techniques (including no-till farming) often permits us to extend crop production periods.

After acquiring land we invest in technology to improve the productivity and increase the land value. At the time of acquisition, a given tract of land could be under-utilized or the infrastructure may need improvements. We have invested in traditional and electric fencing, watering troughs for cattle herds, irrigation equipment and machinery among others things.

Crop Production

Our crop production consists primarily of the sowing and harvesting of fine and coarse grains and oilseeds. Principal crops include wheat, corn, soybean and sunflower. Other crops, such as sorghum, are occasionally sowed and represent a small percentage of total sown land.

The following table sets forth, for the periods indicated below, our production of principal crops:

	Crop Production		
	Year ended June 30,		
	2003[(1)]	**2004**[(1)]	**2005**[(1)]
		(in tons)	
Wheat	9,397	16,707	23,719
Corn	27,508	31,164	65,777
Sunflower	3,074	3,095	5,024
Soybeans	25,056	20,439	48,730
Other	5,334	3,207	6,535

Total	70,369	74,612	149,785

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

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,		
	2003[2]	2004[2]	2005[2]
	(in hectares)		
Owned	12,677	17,592	24,423
Leased	14,578	9,766	16,299
Total	27,255	27,358	40,722

(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 Business Subsidiaries and Affiliated Companies.

As of June 30, 2005, leased land as a percentage of total land sown by us was 40 % of total sown area.

The sowing of wheat occurs from June to September, with harvesting in December and January. Corn, soybean and sunflower are sowed from September through December and harvested from February through June. Crops become available for sale as commodities after harvesting during the period from December to June, and we usually store a portion of our production until prices recover from the drop that normally occurs at harvesting time. A larger portion of production, especially wheat sunflower seeds, corn and sorghum, is sold and delivered to purchasers under contracts, in which the price term is set with reference to market price at a specific time determined by us in the future. Remaining production is either sold at prevailing market prices or delivered to cover future contracts entered into by us.

Our crop inventory at any given time varies according to market conditions. As of June 30, 2005, our crop inventory consisted of 6,978 tons of wheat, 52,179 tons of corn, 28,555 tons of soybean, 532 tons of sorghum and 1,810 tons of sunflower.

We have invested approximately Ps. 1.9 million in irrigation equipment, machinery and technology application through no tillage sowing.

Beef-Cattle Production

Our beef-cattle production principally involves the raising and fattening of beef-cattle from our own stock. In some cases, if the market conditions are favorable we acquire and fatten beef-cattle for sale to slaughterhouses and supermarkets.

In addition, as part of our strategy to move along the production chain, during 2003 we began to slaughter some of our own livestock, having obtained the appropriate permits. We also plan to begin to export for the account of third parties. As of June 2005, the cattle stock of the

Company was 83,591 heads and a total of 126,879 hectares was used for beef-cattle production.

Beef-cattle production was 10,657 tons, which represented a 6% decrease compared to the previous year mainly due to the effect caused by the drought on grass existence impairing cattle stocks in breeding farms. Since cattle could not be fattened, it was sent to the feed lot to be finished with crops and later sold.

A significant percentage of cattle was finished in the feed lot in Villa Mercedes, in the Province of San Luis. The categories that are generally finished with grain are grass-rebred steers with a weight not exceeding 300 kilograms and part of the calves, which are transformed into small ball calves through this process, providing significant profit margins.

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The breeding herd reproduction rate, which has improved year after year, recorded satisfactory efficiency levels despite the adverse weather conditions. The work on genetics and handling of herds is expected to result in further improvements in the coming years.

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.

Parcel management of our pastures is aided by electric fences, which may be readily moved to complement our land rotation. The beef-cattle herd is fattened from 160 kilograms to 300 kilograms through grazing in pastures in our northern farms where conditions are suitable for the initial fattening. The cattle are further fattened to reach 430 kilograms at our southern farms and at our San Luis feed lot. The feed lot enables a uniform production, a higher quality and a higher degree of tenderness in the meat due to the younger age of the animals slaughtered. All these factors give us a stronger demand from international markets and higher prices for our products.

Brood cows and bulls are used for raising activities, while steers, heifers and calves are used for fattening activities. Brood cows give birth approximately once a year and have a productive life of six to seven years. Six months after birth, calves are moved from suckling to fattening pastures. Purchased cattle go directly into the fattening process. Upon reaching this process, the cattle graze for approximately one year to one year and a half to fatten for sale. Steers and heifers are sold once they have achieved a weight of between 380-430 kilograms and 280-295 kilograms, respectively, depending upon the breed.

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

	Heads of Beef-Cattle(1)		
	Year ended June 30,		
	2003(2)	**2004**(2)	**2005**(2)
Breeding	51,062	58,092	57,775
Fattening	29,443	39,817	25,816
Total	80,505	97,909	83,591

(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. See Business Subsidiaries and Affiliated Companies.

We seek to improve beef-cattle production and quality to obtain a higher price through the use of advanced breeding techniques. We cross breed our stock of Indicus, British (Angus and Hereford) and Continental breeds to obtain characteristics for our herd most suitable for the land on which the beef-cattle graze. To further enhance the quality of our herd, we plan to continue to improve our pastures used for grazing. Such improvement is expected from continued investment in superior seeds and fertilizers to improve grasses, an increase in the number of watering troughs available on the pastures and through the acquisition of round balers to cut and roll hay for storage.

Our emphasis on improving the quality of our herd also includes the use of health-related technologies. We adhere to national veterinary health guidelines, which include laboratory analyses and vaccinations to control and prevent diseases among our herd, particularly foot-and-mouth disease.

Direct costs of beef-cattle production are relatively low, as the main inputs are seeds for pastures (e.g. alfalfa, oats and barley) and purchases of cattle for fattening.

We have invested approximately Ps. 5.5 million in equipment, machinery, pastures, genetic improvements, research and development related to beef-cattle operation.

Milk Production

During fiscal year 2005, milk production was 9% higher than the prior fiscal year since the new dairy farm started operating during the last four months of the fiscal year.

The construction of the new dairy farm located at El Tigre farm, close to the City of Trenel, Province of La Pampa, increases our primary milk production. The farm can milk 2,000 cows per day. With a merry-go-round structure and a Ps. 3.9 million investment, it is one of the largest dairy farms in the country.

During fiscal year 2004, milk production was 11.7% higher than the prior fiscal year due to a major drought in the first few months of the year which forced dairy farms to supplement feeding, resulting in better yields by heifer in liters produced.

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

	Milk Production		
	Year Ended June 30,		
	2003(1)	**2004(1)**	**2005(1) (2)**
Average milking cows	1,002	1,000	1,212
Daily production (liters per cow)	16.5	18.4	16.5
Total production (thousands of liters)	6,024	6,731	7,312

(1) Does not include production from Agro-Uranga S.A. See Business Subsidiaries and Affiliated Companies.
(2) Includes production of new dairy farm El Tigre, as from March 1, 2005.

During fiscal year 2004, we devoted 820 hectares and 3,472 heads of cattle to the production of milk. As of June 30, 2005, we had 4,203 heads of cattle on 1,583 hectares involved in the production of milk.

We produce milk from a herd of high-quality Holstein milking cows obtained through selective breeding using imported frozen semen from American Holstein bulls. Male calves born in the breeding process are normally sold for a nominal amount, while female calves are separated from their mothers after 24 hours; spend approximately 60 days suckling and approximately 100 days being fed with grass, grains and food supplements. The young heifers are then grazed for an additional 12 to 15 months before being artificially inseminated at the age of 18 to 20 months, giving birth nine-months later. The cows are then milked for an average of 300 days. Milking cows are inseminated again during the sixty- to ninety-day period after giving birth. This process is repeated once a year for six or seven years. Our pregnancy rate for our milking cows is 85-90%.

We milk our dairy herd mechanically twice a day. Extracted milk is cooled to less than five degrees centigrade to preserve its quality and stored in a cistern for delivery once a day to trucks sent by the purchaser. Milking cows are primarily grass-fed, supplemented as needed with grain, hay and silage. Cornstalks are also used for winter pasturing.

We have invested in certain technologies centered on breeding, health and feeding to enhance milk production. These investments include the purchase of high-quality imported frozen semen from genetically improved American Holstein bulls, machinery and farming implements such as two feed mixer trucks, the use of feed supplements and the installation of modern milk cooling and heating control facilities. We currently purchase feed supplements for our milking cows and have invested to increase the quantity and quality of forage (pasture, alfalfa and corn silage) to reduce feed costs. Since the change of control, we have invested approximately Ps. 10.2 million (which does not include the amounts invested in the construction of the new large-scale milk parlor) in equipment, machinery and research and development with respect to our dairy herd.

Cattle feeding operation

During past years, due to high margins in the agricultural sector, crop production displaced livestock production to marginal areas. Consequently beef production based on traditional pasture has decreased and feed lot production has increased. As an alternative to traditional means of production Argentine producers have started using hostelry services to finish the fattening stage of their cattle. Cactus Argentina S.A., has been a pioneer in this service with a 25,000 head capacity, which depends on the size of the cattle. During fiscal year 2005 the average occupation level reached 71%. Such level showed signs of recovery towards the end of the period reaching 94%.

The uniformity obtained in the feed lot s final product has provided buyers a high quality product, enabling an easier commercialization and achieving the higher final sale price. Re-breeding cattle arrived with an average weight between 250 and 300 kg. and are fattened to reach 430/470 kg. This production is mainly destined to foreign markets, particularly the European Union.

For the coming fiscal year, Cactus Argentina S.A. is prepared to receive an important amount of cattle for export markets. Cresud s cattle production meets all standards required by these.

Other Production

Charcoal production was affected by the recessive market conditions that pushed down sales prices, diminishing our profits. This situation forced us to look for new commercial agreements. During fiscal year 2002 and fiscal year 2003, we managed to commercialize our production in the external market, mainly in Chile. However, during fiscal year 2003, we had to abandon this agreement due to its small production scale and its high administrative expenses, resulting in the interruption of the activity.

Principal Markets

Crops

We sell our crop production entirely in the local market. Prices for our crops are based on market prices quoted on the Argentine grain boards, such as the Buenos Aires Grain Exchange (*Bolsa de Cereales de Buenos Aires)*, and the Rosario Grain Exchange (*Bolsa de Cereales de Rosario)*, which takes international grain markets as reference. Most of this production is sold to exporters who bid and ship this production to the international market. Prices are quoted with reference to the month of delivery and the port where the commodity is to be delivered. Conditions other than price, such as storage and shipment terms, are negotiated between the final purchaser and us.

Beef-Cattle

We sell our cattle production entirely in the local markets. Main buyers are local slaughterhouses and supermarkets.

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The market price for cattle in Argentina is set by the Liniers Market (*Mercado Concentrador de Liniers)* located on the outskirts of the Province of Buenos Aires, where hoofed animals are auctioned daily. *Mercado Concentrador de Liniers* prices are set per kilogram of live beef-cattle and are mainly determined by domestic supply and demand. The price tends to be lower than the price of beef in industrialized countries. Some supermarkets and slaughterhouses usually establish their prices per kilogram of processed meat; in these cases the final price is affected by processing yields.

Milk

During fiscal year 2004 and fiscal year 2005, we sold all of our milk production to the largest dairy company in Argentina, Mastellone S.A., which produces a variety of consumer dairy products for sale in Argentina and abroad. We negotiated raw milk prices with this company on a monthly basis based on domestic supply and demand. We believe that other large dairy companies in Argentina would be willing and able to buy all or part of our milk production if we were to elect to diversify our milk sales. The price of the milk sold by us primarily depends on the percentage of fat and protein contained in the milk and the degree to which the milk is cooled. The price we get for our milk also increases or decreases based upon bacteria and somatic cell content.

Customers

During the fiscal year 2005, we had net sales of Ps. 78.2 million made to approximately 250 customers. Sales to our ten largest customers accounted for approximately 68% of our net sales in 2004 and approximately 61% during fiscal year ended June 30, 2005. Of these customers, the three largest are Cargill S.A., Quickfood S.A. and Arre Beef S.A., accounted for an aggregate of approximately 31% of our sales in 2005, and the remaining seven customers together accounted for approximately 30% of our net sales during such period.

We are party to non-binding, annual letters of understanding with certain of our principal customers. These letters of understanding allow us to estimate demand and plan production accordingly. Individual orders are made on the basis of purchase orders and short-term contracts with a duration of less than one year.

Marketing Channels and Sales Methods

Crops

Normally, we use grain brokers and other intermediaries to execute transactions at the exchanges. We usually sell a portion of our production in advance by futures contracts and we buy and sell options to hedge against a drop in prices. Approximately thirty percent of the futures and options contracts are closed through the Buenos Aires Cereal Exchange *(Bolsa de Cereales de Buenos Aires)* and seventy percent are closed through the Chicago Board of Trade.

Our storage capacity allows us to condition and store crops without using intermediaries and to capitalize on fluctuations in the price of commodities. The largest storage facility owned by us, with a capacity of 10,000 tons, is located at Las Vertientes, near the City of Río Cuarto, Province of Córdoba. Other storage facilities are located at *El Gualicho* farm, with a capacity of 2,000 tons.

Beef-Cattle

We primarily sell directly to local meat processors and supermarkets, including Quickfood S.A., Arre Beef S.A., Coto Centro Integral de Comercialización S.A., Frigorífico La Pellegrinense S.A., Friar S.A., Malabe S.A., Romanutti y Conci S.R.L., at prices based upon the Mercado Concentrador de Liniers price.

We pay the freight to market and generally do not pay commission for our transactions.

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Raw Materials

Our ongoing direct cost of producing crops varies with respect to each crop and is normally divided among the costs of tillage, seeds, agrochemicals and fertilizers. We purchase in bulk and store seeds, agrochemicals and fertilizers to benefit from off-season discounts.

Competition

The agricultural business is a highly competitive market with many producers. Cresud is one of the leading producers in Argentina, but its overall market share is extremely low. Our leading position increases our power of negotiation with our suppliers and customers, and in the past we have generally been able to obtain discounts in the region for the acquisition of supplies and an excess over market price for our seeds and beef.

Historically, there have been few companies competing in the acquisition and leasing of agricultural properties in order to achieve profit from the capital appreciation of land and optimize yields from the different business activities. However, we anticipate that additional companies, including international companies, may become active in land acquisition and the lease of sown land, bringing new competitors to the market in the next few years.

Seasonality

As with any agribusiness enterprise, our business operations are predominantly 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. Other segments of our business such as our cattle and milk sales, and our forestry activities, tend to be more successive than seasonal in nature. However, beef-cattle and milk production is generally higher during the second quarter when pasture conditions are more favorable. As a result, quarter-to-quarter results may vary significantly.

IRSA

From December 2000 to June 2005 and pursuant to our strategy of diversifying our business activities, we made a significant investment in IRSA s shares. In addition, during November and December 2002, we purchased a total amount of US$ 49.7 million IRSA s Convertible Notes. Moreover, during July and November 2003, we purchased additional 0.25 million Convertible Notes (for a total amount of US$ 0.4 million) issued by IRSA. As of June 30, 2005, our total investment in IRSA amounted to Ps. 349.0 million. IRSA is one of Argentina s largest real estate companies in terms of total assets, and is engaged in a range of real estate activities in Argentina. Its principal activities consist of:

- the acquisition and development of residential properties primarily for sale;

the acquisition, development and operation of office and other non-shopping center retail properties primarily for rental purposes. IRSA has over 97,000 square meters of office space for rental purposes;

the acquisition, development and operation of shopping center properties through its 60.69% ownership interest in Alto Palermo S.A. (APSA) (Nasdaq: APSA, Buenos Aires Stock Exchange: APSA) as of June 30, 2005. APSA is one of the leading companies in the operation of shopping centers in Argentina and it either owns or holds a majority ownership interest in 9 shopping centers with a gross area for rental purposes of 214,207 square meters;

the acquisition and operation of luxury hotels through an ownership interest in 3 five-star hotels;

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the acquisition of undeveloped land reserves for future development or sale appraised in Ps. 316.2 million; and

the acquisition of shares in *Banco Hipotecario* which resulted in a Ps. 55.2 million profit..

As of June 30, 2005, IRSA had total assets of Ps. 2,524.4 million and shareholders equity of Ps. 1,252.2 million. IRSA s net gain for the fiscal year ended June 30, 2005, was Ps. 103.2 million.

During fiscal years 2003, 2004 and 2005, we invested in shares of IRSA a total amount of Ps. 8.2 million, Ps. 29.3 million and Ps. 34.4 million (including Ps. 14.8 resulting from the conversion of US$ 5.0 million of IRSA s Convertible Notes) respectively. Through these investments during our fiscal year 2003, we increased our shareholding in IRSA from 19.85% to 22.65% of its outstanding shares. As of June 30, 2004 our investment in IRSA had increased to 25.4% of its outstanding shares. As of June 30, 2005 our investment in IRSA had decreased to 21.8% of its outstanding shares. Our total investment in IRSA, considering our interest in its common shares and Convertible Notes, amounted to 46.94% of our consolidated assets. A majority of our directors are also directors of IRSA, and we are under common control by the same group of controlling shareholders.

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, 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 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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Sales and Ownership of Real Estate

The acquisition and transfer of real estate is governed by provisions of the Argentine Civil Code, as well as municipal zoning ordinances.

Antitrust Law

Argentine law provides for antitrust measures and requires administrative authorization for transactions that qualify as economic concentrations in accordance with the Antitrust Law No. 25,156.

According to such law, mergers, transfers of goodwill, acquisitions of property or rights over shares, capital or other convertible securities, or similar operations by which the acquirer controls a company, are considered economic concentrations.

Whenever an economic concentration involves a company or companies, (i) which hold 25% or more of the relevant market or (ii) whose accumulated sales volume exceeds approximately Ps. 200 million in Argentina or Ps. 2,500 million worldwide; the respective concentration must be submitted for approval to the National Antitrust Commission.

The request for approval may be filed, either prior to the transaction or within a week after its completion.

Currently, we are not involved in any transaction that requires notification to the National Antitrust Commission.

Property and Transfer Taxes

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

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

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

In the City of Buenos Aires (federal district) the stamp tax only applies to public deeds for the transfer of real estate, or for any other contract whereby the ownership of real property is transferred. 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 4% for public deeds of transfer of real property.

C. ORGANIZATIONAL STRUCTURE

Subsidiaries and Affiliated Companies

The following table includes a description of our subsidiaries and affiliated companies, all of which are organized under the laws of Argentina, as of June 30, 2005:

Subsidiaries	Effective Ownership Percentage	Property/Activity
Inversiones Ganaderas S.A.	99.99%	This company owns two farms located in the Province of Catamarca: Tali Sumaj and El Recreo.
Cactus Argentina S.A.	50.00%	This company represents our strategic alliance with Cactus Feeders Inc. for feed lot production. It owns a 170-hectare farm located in the district of Villa Mercedes in the Province of San Luis. It will have the capacity to support 75,000 head of beef-cattle per year, in cycles of approximately 28,000 head each.
Agro-Uranga S.A.	35.72%	An agriculture, dairy and beef-cattle company which owns two farms (Las Playas and San Nicolás) covering 8,299 hectares in the provinces of Santa Fe and Córdoba, and approximately 1,618 beef-cattle head.
Futuros y Opciones.Com S.A	70.00%	A leading agricultural site which provides information about markets and services of economic and financial consulting through the Internet. The company has begun to expand the range of commercial services offered to the agricultural sector by developing direct sales of supplies, grain brokerage services and beef-cattle operations.
IRSA Inversiones y Representaciones Sociedad Anónima	21.79%	It is a leading Argentine company devoted to the development and management of real estate.

IRSA. During the fiscal year ended June 30, 2004, we acquired 6,050,983 additional shares, for a total consideration of Ps. 14.6 million. In addition, in May 2004, we have decided to convert 5.0 million aggregate principal amount of IRSA s Convertible Notes in exchange for 9,174,311 shares. During the fiscal year ended June 30, 2005, we acquired 5,426,229 additional shares, for a total consideration of Ps. 16.5 million. On September 30, 2004, Cresud exercised 5.0 million of its IRSA warrants for 9,174,311 ordinary shares of IRSA s stock at a total cost of US$ 6.0 million.

As of June 30, 2005, the Company owned 77,848,141 IRSA shares, equivalent to 21.79% of the equity. Additionally as of the same date, the Company owned 36,538,897 convertible bonds and 36,538,897 warrants both issued by IRSA. Our investment in IRSA during fiscal year 2004 resulted in a Ps. 26.4 million profit for the Company.

Futuros y Opciones.Com S.A. In May 2000, we acquired 70% of the shares and an irrevocable purchase option for the remainder of the shares of Futuros y Opciones.Com S.A. for Ps. 3.5 million. We made additional capital contributions for Ps. 3.0 million for prospective developments. As of June 30, 2001 we had provided capital contributions amounting to Ps. 2.1 million. On April 16, 2002 an agreement was signed whereby Cresud completed the abovementioned contribution. The site was launched in November 1999 and is aimed at becoming the most important agriculture business community in Latin America. Futuros y Opciones.Com S.A. has launched its e-commerce strategy in March 2001, in order to sell products, buy inputs, ask for loans, and obtain insurance, among other things. The results of Futuros y Opciones.Com S.A. have been included in our consolidated statement of income from the date of acquisition through June 30, 2005.

The areas with the greatest potential for growth are: input commercialization, grain businesses and beef-cattle operations. These areas were organized during fiscal year 2002. In terms of inputs the business volume was concentrated in a smaller 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 S.A had created an alliance with a leading broker in the sector, which will allow them to obtain better uses of their clients database and technological knowledge.

On May 31, 2005, the Ordinary Shareholders Meeting of Futuros y Opciones.Com S.A. decided that the company s capital stock should be increased by Ps. 206,080 with no additional paid-in capital and Ps. 42,857 with an additional paid-in premium of Ps.857,143, thus raising the company s capital stock from Ps. 12,000 to Ps. 260,937. The capital stock was further increased by Ps.100,000 through the issuance of 100,000 preferred shares.

This capitalization was conducted after absorbing unappropiated losses of Ps. 4,257,262 against the Irrevocable Contributions account for a total amount of Ps.2,060,321 and the Adjustment to Irrevocable Contributions account for an amount of Ps.2,196,941. 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, Cresud s 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, 2005, Futuros y Opciones.com S.A. had a 77% increase in its revenues as compared to the previous fiscal year and a 250% growth in the crop brokerage invoicing. This segment s volume of operations had a 500% growth as compared to the previous fiscal year.

There was a drop in quotations of agricultural commodities from July 2004 to March 2005. Such drop affected invoicing per business unit despite the fact that mainly due to the U.S. record production the volume of transactions had increased.

Regarding agricultural input sales, net invoicing was similar to the previous fiscal year, however the Company increased the amount of transactions and the clients database. Such increase resulted from the implementation of a strategy adopted by the Company to increase its market share by dropping its sale prices and average margin.

Currently, the portal has 12,000 visitors per day and is a leading supplier of information for the sector s market. Various private polls have agreed that it is the most visited site by agriculture producers. For the coming season we expect, with a 42% increase in the volume of operations and 80% increase in the invoicing.

Cactus Argentina S.A. is a company owned by us and Cactus Feeders Inc., one of the largest feed lot companies in the United States. The site is located in Villa Mercedes, in the Province of San Luis and covers 170 hectares. The feed lot began to operate in September 1999.

During past years, due to high margins in the agricultural sector, crop production displaced livestock production to marginal areas. Consequently beef production based on traditional pastures grazing has decreased and feed lot production has increased. As an alternative to traditional means of production, Argentine producers have started using hostelry services to finish the fattening stage of their cattle. Cactus Argentina S.A., has been a pioneer in this service with a 25,000 head capacity, which depends on the size of the cattle. During fiscal year 2005 the average occupation level reached 71%. Such level showed signs of recovery towards the end of the period reaching 94%.

The uniformity obtained in the feed lot s final product has provided buyers a high quality product, enabling easier commercialization and achieving a higher final sale price. Re-breeding cattle arrived with an average weight between 250 and 300 kg. and are fattened to reach 430/470 kg. This production is mainly destined to foreign markets, particularly the European Union.

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On the other hand, given the low prices of corn throughout the year, Cresud turned its attention to Cactus production, both through the use of its own production and through purchases made from remote regions in ports where discounts are significant.

Cactus obtained major benefits during this exercise, net income for the year was Ps. 0.03 million. Cactus liquidity is high and it has no indebtedness to banks. As a consequence, it may obtain top quality supplies at highly competitive prices.

Fiscal year 2005 has been productive for Cactus despite the fact that the summer season did not reach expected forecasts regarding the demand of services rendered by Cactus, as a consequence of the effects of droughts, which had enabled the total occupation of the feed lot premises.

For the fiscal year 2006, Cactus expects to receive an important amount of cattle which it will destine to the export markets, particularly the European Union. Cresud s cattle production meets all standards required by these markets.

D. PROPERTY, PLANT AND EQUIPMENT

Overview of Properties

In December 2003, we started to sublease our headquarters from Inversora Bolívar S.A., a subsidiary of IRSA.

The following table sets forth our properties size (in hectares), primary current use and book value. The market value of farmland is generally higher the closer a farm is located to Buenos Aires:

	Owned Farms at June 30, 2005					
	Province	Gross Size (in hectares)	Date of Acquisition	Primary Current Use	Net carrying value *(Million of Ps.)*(1)	Encumbrances *(Million of Ps.)*
La Adela	Buenos Aires	1,054	Original	Crop	8.4	
La Juanita	Buenos Aires	4,302	Jan. 96	Crop/Milk	11.1	
El Gualicho	Córdoba	5,729	Feb. 95	Crop/Beef-Cattle	6.2	
Las Vertientes	Córdoba	4	-	Silo	0.7	
La Esmeralda	Santa Fe	11,841	June 98	Crop/Beef-Cattle	12.1	
La Suiza	Chaco	41,993	June 98	Beef-Cattle	27.5	
Tapenagá	Chaco	20,833	Aug. 97/Sept. 97	Beef-Cattle	6.1	
Santa Bárbara/Gramilla	San Luis	7,052	Nov. 97	Crops under irrigation	21.6	
Cactus (2)	San Luis	85	December 97	Feed lot	2.5	
Tali Sumaj / El Recreo(3)	Catamarca	26,972	May 95	Beef Cattle/Natural Woodlands	5.7	
Los Pozos	Salta	262,000	May 95		22.9	

					Beef Cattle/Crop/ Natural Woodlands		
El Invierno	La Pampa	1,946	June	05	Crop	8.9	Mortgage 4.2
San Nicolás/Las Playas(4)	Sta.Fe/Cba.	2,965	May	97	Crop/Beef-Cattle	11.6	
El Tigre	La Pampa	8,360	Apr	03	Crop/Milk	31.4	
Total		395,136				176.7	

(1) Acquisition costs plus improvements less depreciation.
(2) Owned by us through our 50.0% interest in Cactus Argentina S.A.
(3) Owned by us through Inversiones Ganaderas S.A.
(4) Owned by us through our 35.723% interest in Agro-Uranga S.A.

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Farms

As of June 30, 2005, we, together with our subsidiaries, owned 17 farms with a combined total of 395,136 hectares of land, two of which are located in the Province of Buenos Aires, two in the Province of Santa Fe, three in the Province of Córdoba, two in the Province of Chaco, three in the Province of San Luis, two in the Province of Catamarca, one in the Province of Salta, and two in the Province of La Pampa.

La Adela. La Adela, located 60 kilometers northwest of the City of Buenos Aires, is one of our original farms. During December 2001, the dairy farm at *La Adela* was closed. This farm is dedicated to crop production. During this fiscal year ended June 30, 2005, 822 hectares were used for wheat, corn and soybean crops for high-yielding grain production. In March, 2005, an additional 72 hectares were bought and added to the existing 982 hectares.

La Juanita. La Juanita, located 440 kilometers southwest of the City of Buenos Aires, was acquired in January 1996. As of June 30, 2005, 2,751 heads of cattle grazed on 716 hectares of sown and natural pastures and 1,514 hectares were used for crop production. Dairy facilities at this farm produced 6.4 million liters of milk in fiscal year 2005, with an average of 1,059 milking cows and an average production of 16.71 liters per cow per day.

El Gualicho. El Gualicho, located 600 kilometers northwest of the Province of Buenos Aires, was purchased in February 1995. This farm produces both crops and cattle. As of June 30, 2005, there were approximately 2,555 heads of beef-cattle on 4,817 hectares of land. During the fiscal year ended June 30, 2005, 783 hectares were dedicated to crop production including flint corn and sunflower.

On July 25, 2005 the El Gualicho farm was sold at an agreed price of US$ 5.7 million resulting in a gain of approximately US$ 3.4 million which is recognized in the first quarter of fiscal year 2006.

El Recreo. The climatic conditions of El Recreo, located 970 kilometers northwest of the Province of Buenos Aires and purchased in May 1995, are similar to those of Tali Sumaj, having a semi-arid climate with an average annual precipitation not greater than 400 mm. The farm is maintained as a productive reserve. On July 29, 2003, Inversiones Ganaderas S.A. sold to Las Rejas S.A., three properties located in the Santo Domingo district, department of La Paz, Province of Catamarca with a total surface area of 5,997 hectares for US$ 0.43 million. This sale yielded a profit of Ps. 0.58 million.

Tali Sumaj. Tali Sumaj, located 1,000 kilometers northwest of the Province of Buenos Aires, was purchased in May 1995 and is located in a semi-arid zone with a predominance of natural woodlands. As of June 30, 2005, Tali Sumaj had 5,994 heads of beef-cattle on approximately 12,700 hectares of pastures. The farm is divided into 16 parcels with perimeter fences and drinking troughs with a reserve of 1,000,000 liters of water.

Los Pozos. Los Pozos, located 1,600 kilometers northwest of the Province of Buenos Aires was purchased in May 1995. It is located in a semi-arid zone with an average annual rainfall of 500 mm, predominantly from summer rains. The area is naturally suited for cattle raising and forestry (poles and charcoal), and offers agricultural potential for summer crops such as sorghum and corn among others. For this fiscal year ended June 30, 2005 we used 1,400 hectares in agricultural production. We completed the clearing and sowing with tropical pastures of approximately 16,000 hectares of woodlands. As of June 30, 2005, there were 16,898 heads of beef-cattle on 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.

San Nicolás. San Nicolás is a 4,005-hectare farm owned by Agro-Uranga S.A., located in the Province of Santa Fe, approximately 45 kilometers from the port of Rosario. As of June 30, 2005, approximately 6,067 hectares were used for crop production, including double crops. The farm also has two silos with a 14,950-ton storage capacity.

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Las Playas. Las Playas is a 4,294-hectare farm owned by Agro-Uranga S.A., located in the Province of Córdoba, used principally for agricultural and milk production. As of June 30, 2005, the farm had 540 hectares of pasture used for milk production, and a sown surface area of 6,330 hectares including double crops, for grain production.

Tapenagá. This 20,833-hectare property is located in Cotei Lai, in the south of the Province of Chaco. The farm is situated along national highway 89, 75 km west of the City of Resistencia and only 120 km from Ñacurutú farm. The farm s main activity is cattle breeding. Like Ñacurutú, this is a low-cost producing farm. As of June, 2005 the farm contained 8,361 heads of cattle.

La Gramilla and Santa Bárbara. These farms cover 7,052 hectares in the Valley of Conlara, Province of San Luis. Unlike other areas in the province, this valley has a high-quality and well-replenished underground aqueduct, which makes the farms suitable for agriculture production after making investments in land clearance, wells and irrigation equipment. During the 2005 season, a total of 691 hectares was sown under contractual arrangement with seed producers and leases to third parties of 1,128 hectares. Commodities were also sown. During this cycle an investment was made on approximately 1,185 hectares in the development of irrigation equipment and water supply to continue to grow the establishment.

La Suiza. La Suiza is a 41,993-hectare farm located in Villa Angela, Province of Chaco; it has excellent livestock potential and is intended for cattle breeding. La Suiza can support more than 30,000 head of beef-cattle. As of June 30, 2005, La Suiza had approximately 24,928 head of beef-cattle.

La Esmeralda. La Esmeralda is an 11,841-hectare farm located at Ceres, Province of Santa Fe. The farm, acquired in June 1998, has potential for both crop and beef-cattle production. During the 2004/2005 farm season, a total area of 2,026 hectares was used for production of corn, sunflower and sorghum. We also leased 3,238 hectares to third parties for grain production. As of June 30, 2004, La Esmeralda had 8,362 heads in 7,798 hectares and as of June 30, 2005, has 9,211 heads in 6,577 hectares. Our goal is to enhance cattle raising efficiency and increase the surface area devoted to agriculture.

El Tigre. El Tigre was purchased on April 30, 2003, with a surface area of 8,360 hectares, located in Trenel Department, Province of La Pampa for the amount of US$ 9.2 million. As of June 2005, 6,613 hectares were devoted to agriculture production. Milk parlors in this farm produced 0.9 million liters of milk in the four-month period ended June 30, 2005, with 461 cows being milked and 15.2 liters a day per cow.

El Invierno. El Invierno farm was acquired on June 24, 2005 with a surface area of 1,946 hectares located in Rancul, Province of La Pampa. The purchase price was US$ 3.1 million generating a mortgage of US$ 1.5 million and the land will be completely used in agricultural production.

Silos

As of June 30, 2005, we had approximately 18,001 tons of storage capacity (including 35.723% of 14,950 tons from Agro-Uranga S.A.).

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The following table sets forth, for the periods indicated, our storage facilities:

	Storage Capacity		
	Year ended June 30,		
	2003	2004	2005
	(in tons)	(in tons)	(in tons)
San Enrique	660	660	660
El Gualicho	2,000	2,000	2,000
Las Vertientes	10,000	10,000	10,000
San Nicolás(1)	5,330	5,341	5,341
Las Playas(1)	1,247		
Total	19,237	18,001	18,001

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

Item 5. Operating financial review and prospects

A. CONSOLIDATED OPERATING RESULTS

The following management s discussion and analysis of our financial condition and results of operations should be read together with Selected Consolidated Financial Data and our consolidated financial statements and related notes appearing elsewhere in this Form 20-F. This discussion and analysis contains forward-looking statements that involve risks, uncertainties and assumptions. These forward-looking statements include such words as, expects, anticipates, intends, believes and similar language. Our actual results may differ materially and adversely from those anticipated in these forward-looking statements as a result of many factors, including those set forth elsewhere in this Form 20-F.

For purposes of the following discussion, unless otherwise specified, references to fiscal years 2005, 2004 and 2003 relate to the fiscal years ended June 30, 2005, 2004 and 2003, respectively.

We maintain our financial books and records in Pesos. Except as discussed in the following paragraph, we prepare our financial statements in conformity with Argentine GAAP and the regulations of the *Comisión Nacional de Valores*. See Note 15 to our 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 (loss) and total shareholders equity. The differences involve methods of measuring the amounts shown in the financial statements as well as additional disclosures required by U.S. GAAP and Regulation S-X of the SEC.

As discussed in Notes 2.c) and 3.k) to our Consolidated Financial Statements, contained elsewhere in this annual report, in order to comply with *Comisión Nacional de Valores* regulations, we discontinued inflation accounting as of March 1, 2003 and we recognized deferred income tax assets and liabilities on a non-discounted basis. These accounting practices represent departures from generally accepted accounting principles in Argentina. However, we believe that such departures have not had a material effect on our financial statements.

Discussion of Critical Accounting Policies

In connection with the preparation of the financial statements included in this annual report, we have relied on variables and assumptions derived from historical experience and various other factors that we deemed reasonable and relevant. Although we review these estimates and assumptions in the ordinary course of business, the portrayal of our financial condition and results of operations often requires our management to make judgments regarding the effects of matters that are inherently

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uncertain on the carrying value of our assets and liabilities. Actual results may differ from those estimated under different variables, assumptions or conditions. In order to provide an understanding about how management forms its judgments about future events, including the variables and assumptions underlying the estimates, and the sensitivity of those judgments to different variables and conditions, we have included comments related to each critical accounting policy described as follows:

- allowance for doubtful accounts;
- investments in affiliates;
- impairment of long-lived assets; and
- deferred income tax.

Allowance for Doubtful Accounts

We maintain our allowance for debts at a level believed adequate by our management to reflect probable losses in our trade receivables due to customer default, insolvency, or bankruptcy. In setting up this allowance, our management applies the following criteria: customer credit history, current customer credit record, customer arrears, our legal counsel s opinion and other relevant factors. The allowance is revised every three months. Since we believe the accounting estimate relating to the allowance for debts is a critical accounting estimate, it is subject to change because it requires estimates by our management and legal counsel. The allowance is determined on a case-by-case basis taking into account the analysis of all the overdue balances of our customers. The likelihood of collection of each of them is calculated on the basis of subsequent collections, agreements reached, customer credit situation, our legal counsel s opinion, and other variables, on the basis of which a bad debt allowance is set up in respect of all or part of the overdue balance.

Investments in affiliates

We use the equity method of accounting for investments in affiliates in which we have significant influence. Critical accounting policies of these affiliates include provision for allowances and contingencies, impairment of long-lived assets, accounting for debt restructuring and accounting for deferred income tax and asset tax credits. As of June 30, 2005, investments in affiliates were Ps. 289.4 million representing 39.0% of our total assets.

Impairment of Long-Lived Assets

We periodically evaluate the carrying value of our long-lived assets for impairment when events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. We consider the carrying value of a long-lived asset to be impaired when the expected cash flows, undiscounted and without interest, from such asset are separately identifiable and less than its carrying value. In that event, a loss would be recognized based on the amount by which the carrying value exceeds the fair market value of the long-lived asset. We determine the fair market value primarily using independent appraisal valuations and utilizing anticipated cash flows discounted at a rate commensurate to the risk involved.

Under Argentine GAAP a previously recognized impairment loss is reversed when there is a subsequent change in estimates used to compute the fair market value of the asset. In that event, the new carrying value of the asset is the lower of its fair market value or the net carrying value the asset could have had if not impairment would have been recognized. Both the impairment charge and the impairment reversal are recognized in earnings. U.S. GAAP prohibits the reversal of a previously recognized impairment charge.

We believe that the accounting estimate concerning the impairment of long-lived assets is a critical accounting policy because, when one takes into account that farms are non-depreciable assets of unlimited useful life, their value could be calculated as a perpetuity (i.e., dividing the expected return of each farm by a discount rate representative in the market). As farming is a low-risk business and has betas near to zero or even negative, a 6% discount rate was taken for purposes of the calculation. Even if there is a reduction of 20% in the expected return, it would not have been necessary to recognize any loss for depreciation of the referred assets.

Deferred income tax

The Company records income taxes using the deferred tax liability method. Accordingly, deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax basis. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recorded or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment date. The Company has treated the differences between the price-level restated amounts of assets and liabilities and their historical basis as permanent differences for deferred income tax calculation purposes.

At the end of the fiscal year there are temporary net liabilities (tax liabilities) mainly originated in the beef cattle valuation and the roll-over. The management has made estimations that allow it to recognize this deferred tax.

We believe that the accounting estimate related to deferred income tax is a critical accounting estimate because:

- it is highly susceptible to change from period to period because it requires company management to make assumptions, such as future revenues and expenses, exchange rates and inflation among others; and

- the impact that calculating income tax using this method would have on assets or liabilities reported on our consolidated balance sheet as well as on the income tax result reported in our consolidated statement of income could be material.

Principal differences between Argentine GAAP and U.S. GAAP

The principal differences, other than inflation accounting, between Argentine GAAP and U.S. GAAP are related to the following:

a) Retrospective application of accounting standards;

b) Accounting for IRSA investment;

c) Valuation of inventories;

d) Deferred income tax;

e) Accounting for futures and options contracts;

f) Web site development costs;

g) Differences in basis relating to purchase accounting;

h) Amortization expense;

i) Elimination of gain on acquisition of minority interest;

j) Available-for sale securities;

k) Investments in Agro-Uranga S.A.;

l) Accounting for stock options;

m) Accounting for Convertible Notes;

n) Effect of US GAAP adjustments on management fee;

o) Minority interest.

In addition, certain other disclosures required under U.S. GAAP have been included in the U.S. GAAP reconciliation. See Note 15 to our consolidated financial statements.

Net income under Argentine GAAP for the years ended June 30, 2005, 2004 and 2003 was approximately Ps. 76.8 million, Ps.32.1 million and Ps. 65.0 million, respectively, as compared to approximately Ps. 86.7 million, Ps. 3.3 million and Ps. 46.4 million, respectively, under U.S. GAAP. Shareholders equity under Argentine GAAP as of June 30, 2005 and 2004, was Ps. 523.0 million and Ps. 465.2 million, respectively, as compared to Ps. 425.9 million and Ps. 322.5 million, respectively, under U.S. GAAP.

Effects of Devaluation and Economic Crisis on us

All of our assets are located and our operations are performed in Argentina. Accordingly, our financial condition and results of operations depend substantially upon economic conditions prevailing in Argentina. Due to the four-year-old recession ended on the second quarter of 2002, the Argentine economy has deteriorated sharply.

In the fourth quarter of 1998, the Argentine economy entered into a recession that caused the gross domestic product to decrease in real terms by 3.4% in 1999, 0.8% in 2000 and 4.4% in 2001. During the second half of 2001, Argentina s recession worsened significantly, precipitating a serious political and economic crisis. During 2002, the gross domestic product decreased 10.9% as compared to 2001, and during the first three quarters of 2003, the gross domestic product increased 7.3%. In 2003, the economy began to recover, ending the year with an 11.7% annual growth year over year. Exceeding growth expectations, in 2004 the GDP increased 9.0% in comparison with 2003. Estimates are that during 2005 the GDP will increase 7.5% in comparison with 2004, consolidating the economy expansion.

On December 23, 2001, President Adolfo Rodriguez Saá declared the suspension of the payment of foreign debt and later Eduardo Duhalde ratified his decision. On January 6, 2002, the Congress enacted the Public Emergency Law which repeals several provisions of the Convertibility Law which prevailed in Argentina for 10 years, and the executive branch announced the devaluation of the Peso the establishment of a dual exchange rate system in which certain limited transactions will occur at a fixed rate of Ps. 1.4 to US$ 1.0 and all other transactions will be settled at a floating market rate depending on supply and demand. This new legislation had a material adverse effect on our financial position and the results of our operations in fiscal year 2002 mainly through its effects in IRSA, which was partially offset during fiscal year 2004 and 2005.

During fiscal year 2005, the Government of President Néstor Kirchner submitted a proposal to creditors to continue the payments of external debt. The official offer for the sovereign debt exchange

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obtained very good results and was supported by 76.07% of its creditors. The Government was able to record a partial remission of the debt in terms of current value of 65.2%, which exceeds any remission recorded in any other debt restructuring process in other countries. This significant achievement represented an opportunity for the country to recover reliability internationally and gave way to an economic context of higher feasibility. In turn, this will foster investments.

Effects of inflation

From 1997 until the end of year 2001, policies adopted by the Argentine government have substantially reduced the level of inflation. Therefore, during that period inflation did not significantly affect our financial condition and results of operations. The following are annual inflation rates figures published by the Argentine Ministry of Economy and Production:

Year ended June 30,	Consumer Price Index	Wholesale Price Index
2001	(0.3)%	(1.6)%
2002	30.5%	95.6%
2003	10.2%	8.3%
2004	4.9%	0.1%
2005	9.0%	7.7%

The Public Emergency Law authorizes the executive branch to establish the system which will determine the new exchange ratio between the Peso and foreign currencies, and to approve the corresponding monetary regulations. The devaluation of the Peso by the executive branch creates a significant risk that inflation will increase materially, and we have no means of hedging and protecting ourselves from the risks of inflation.

In 2005, inflation was one of the central topics of the economy. Retail prices accumulated an important increase during the first part of the year, generating concern about the future evolution of retail prices as it is difficult to estimate an inflation rate for year-end less than to the high estimated level of 10.5% performed by the Ministry of Economy and Production at the beginning of 2005. Such increase of the inflation risk could erode the macroeconomic stability currently attained and would adversely impact on the development of our operation.

Significant Investment in IRSA

From December 2000 to June 2005, and pursuant to our strategy of diversifying our business activities, we made a significant investment in IRSA, an Argentine real estate company. As of June 30, 2005 our investment in IRSA had increased to 21.8% of its outstanding shares.

During 2002, we purchased a total amount of 49.7 million IRSA s Convertible Notes (*Obligaciones Negociables Convertibles* or ONC). On May 2004, converted 5 million principal amount of the Convertible Note and on August 2004 we exercised 5 million warrants as part of our long-term strategy to avoid a reduction in our ownership percentage when third parties exercised their rights to convert Convertible Notes or they exercised warrants.

As of June 30, 2005 our total investment in IRSA amounted to Ps. 349.0 million and represented 46.94% of our total assets. A majority of our directors are also directors of IRSA, and we are under common control by the same group of controlling shareholders.

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Operating Results

Year ended June 30, 2005 compared to the year ended June 30, 2004

Sales

Sales reached Ps.78.2 million, 12.2% higher than those recorded in the previous year. Higher sales in the rest of the segments partially offset smaller feed lot sales.

Crops. Sales of grains increased by 15.1%, from Ps. 26.8 million in fiscal year 2004 to Ps. 30.9 million in fiscal year 2005. The 36.8% increase in the volume of sales, from 64,398 tons up to 88,123 tons, was partially offset by a 15.9% decrease in unit price in fiscal year 2005 compared to the price for fiscal year 2004. Average price per ton sold was Ps. 351 compared to Ps.417 in the prior fiscal year. The production of grains increased by 100.8%, from 74,612 tons in fiscal year 2004 to 149,785 tons in fiscal year 2005 (the production of wheat, sunflower, corn and soybean increased by 42.0%, 62.3%, 111.1% and 138.4% respectively). The total sown surface area increased from 23,117 hectares in fiscal year 2004 to 36,293 hectares in fiscal year 2005. The leased sown surface area increased from 9,766 hectares in fiscal year 2004 to 16,299 hectares in fiscal year 2005 and the Company s own sown surface area increased from 13,351 hectares in fiscal year 2004 to 19,994 hectares in fiscal year 2005.

Beef Cattle. Sales of beef cattle increased by 32.8%, from Ps. 27.7 million in fiscal year 2004 to Ps. 36.8 million in fiscal year 2005. The 20.8% increase in the volume of sales was accompanied by a 10.0% increase in the price per ton sold. The volume of sales increased from 14,725 tons to 17,783 tons, while the sales price increased from Ps.1.88 per kilogram in fiscal year 2004 to Ps. 2.07 per kilogram in fiscal year 2005. Average cattle stock increased from 93,386 head in fiscal year 2004 to 96,231 in fiscal year 2005 and the total production of beef cattle decreased by 6.3%, from 11,370 tons in fiscal year 2004 to 10,657 tons in fiscal year 2005. This decline was caused by the drought that affected the supply of grazing land where we produce meat at a lower price, and was partially offset by a higher number of cattle head finished in feed lots. The number of our own hectares used in the production of beef cattle increased from 125,598 hectares in fiscal year 2004 to 126,879 hectares in fiscal year 2005. This increase was caused by the incorporation of cattle raising hectares to the Los Pozos farmlands, partially offset by a shift of hectares used in cattle raising to agricultural production in La Esmeralda.

Milk. Sales of milk increased by 8.5%, from Ps. 3.2 million in fiscal year 2004 to Ps. 3.5 million in fiscal year 2005 mainly due to an 8.6% rise in production volume, from 6.7 million liters in fiscal year 2004 to 7.3 million liters in fiscal year 2005, due to a change in the production system forced by a severe drought, and the incorporation of our new milk parlor in El Tigre farm. Prices have remained steady at Ps. 474 per thousand liters of milk during both fiscal years. On March 1, 2005 we opened a large-scale milk parlor in the farm El Tigre equipped with the newest technology, that increased production capacity by approximately 36,000 liters a day. We project this business to post higher yields than the agricultural business. The investment made in this business amounted to approximately US$ 1.0 million.

Feed lot. Revenues from this segment declined by 70.1%, from Ps. 7.1 million in 2004 to Ps. 2.1 million in 2005. This was mainly caused by the decline in the price of corn and components of feed rations during this fiscal year, coupled with higher marketing costs, which led producers to use their own feedstuff. This brought about a lower utilization rate, from an average of 23,910 heads during 2004 to 16,300 heads during 2005.

Others. Sales increased by 1.7% from Ps. 4.8 million in fiscal year 2004 to Ps. 4.9 million in fiscal year 2005 mainly due to the increase in revenues from Futuros y Opciones.com, partially offset by lower revenues from leases to third parties. Revenues from leases decreased due to a smaller leasable surface area that was used for production. However, leasing prices continue to be attractive.

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Cost of sales

Cost of sales increased by 32.3% from Ps. 45.1 million in fiscal year 2004 to Ps. 59.7 million in fiscal year 2005. Cost of sales as a percentage of net sales increased from 64.8% in fiscal year 2004 to 76.3% in fiscal year 2005.

Crops. The cost of sales of grains increased from Ps.15.4 million in fiscal year 2004 to Ps. 21.3 million in fiscal year 2005. This rise is attributable mainly to a larger sales volume coupled with a decline in commodities prices during this fiscal year, and a larger opening stock which affected, to a smaller extent, the cost of sales in fiscal year 2005. The cost of grain sales as a percentage of overall sales increased by 57.4% in fiscal year 2004 to 69.0% in fiscal year 2005.

Beef cattle. Cost of sales for beef cattle increased by 55.7% from Ps. 21.1 million in fiscal year 2004 to Ps. 32.8 million in fiscal year 2005. This increase mainly corresponds to a larger volume of meat sales, to the impact of a higher quantity of beef cattle finished in the feed lot as a consequence of the drought that affected cattle raising areas in the country and to a lower stock at the end of the fiscal year, offset to a smaller extent by higher average cattle prices during this fiscal year. The cost of sales for beef cattle as a percentage of sales of cattle increased from 76.0% in fiscal year 2004 to 89.1% in fiscal year 2005. The cost for each ton sold also increased from Ps. 1,432 in fiscal year 2004 to Ps. 1,846 in fiscal year 2005 for the same reasons.

Milk. The cost of sales of milk increased by 60.2% from Ps. 1.3 million in fiscal year 2004 to Ps. 2.1 million in fiscal year 2005. This increase is attributable to the positive effect resulting from the reclassification of dairy cattle from in the previous fiscal year, coupled with the negative impact of larger feeding costs due to the drought that took place during this fiscal year. Another factor that led, albeit to a smaller extent, to the rise in costs this year, was the increase in costs at the farm El Tigre as a result of larger expenditures incurred in the development of milk parlor technology which generated revenue in the last four months of fiscal year 2005. The cost of milk sales per thousand liters has gone up from Ps. 194 in 2004 to Ps. 286 in 2005.

Feed lot. The cost of feed lot sales fell by 70.0%, from Ps. 6.2 million in 2004 to Ps. 1.9 million in 2005. This decline is attributable to lower costs as a consequence of lower utilization levels and a lower cost per feed lot due to corn deliveries made by producers in the course of the year. The cost of feed lot services as a percentage of total sales increased from 86.9% in 2004 to 87.1% in 2005.

Others. Costs increased by 39.0% from Ps. 1.1 million in fiscal year 2004 to Ps. 1.6 million in fiscal year 2005 mainly due to higher costs related to Futuros y Opciones.com.

Gross Profit

As a result of the factors mentioned, gross profit amounted to Ps. 18.5 million in fiscal year 2005 compared to a Ps. 24.5 million profit recorded in fiscal year 2004.

Selling Expenses

Selling expenses increased from Ps. 4.9 million in fiscal year 2004 to Ps. 6.6 million in fiscal year 2005. Selling expenses in agricultural activities represented 71.8% of total selling expenses, selling expenses in cattle raising activities represented 22.1% and the remaining 6.1% corresponds to the other activities. Selling expenses in grains as a percentage of sales amounted to 15.3% in fiscal year 2005. Selling expenses by ton of grains sold increased compared to those of the prior fiscal year amounting to Ps. 54 per ton in the current fiscal year. Selling expenses as a percentage of the sales of beef cattle decreased from 5.4% in fiscal year 2004 to 4.0% in fiscal year 2005 due to an improvement in our business deals with customers.

Sales of milk do not generate selling expenses as the production of milk is sold on a direct basis.

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Administrative Expenses

Administrative expenses increased by 26.7% from Ps. 5.7 million in fiscal year 2004 to Ps. 7.3 million in fiscal year 2005, mainly due to the increase in salaries, social contributions, fees for services office and transportation expenses. Administrative expenses include the Company s general expenses but they exclude expenses related to farmland management.

Net gain on sale of farms

The net gain on sale of farms amounted to Ps. 20.0 million due to the sale of the following:

On February 1, 2005 we sold Ñacurutú, with a surface area of 30,350 hectares, located in the departments of General Obligado and Vera, Province of Santa Fe. The agreed price was US$ 5.6 million. The gain on this sale amounted to Ps. 7.7 million.

On June 8, 2005 we sold San Enrique, with a surface area of 977 hectares, located in the department of General López, Province of Santa Fé. The agreed price was US$ 5.0 million and the gain made on the sale amounted to Ps. 12.3 million.

On June 29, 2005 we sold a share of the farm located at El Recreo, Province of Catamarca, where two hectares were sold for US$ 20,000. The gain on the sale amounted to Ps. 0.1 million.

On February 24, 2005 we sold the farm El Gualicho with a surface area of 5,729 hectares, located at General Roca and Presidente Roque Saenz Peña, Province of Córdoba. The sale price was US$ 5.7 million. The deed will be executed on July 25, 2005 (the resulting gain realized in the following fiscal year). The gain on this sale is estimated to be US$ 3.4 million.

Gain from inventory holding

The gain from holdings amounted to Ps.11.6 million in fiscal year 2005, compared to Ps. 2.2 million in fiscal year 2004. This increase reflects the profit from cattle holdings based on the increase in real prices during fiscal year 2005.

Operating Income

Given the factors described above, the operating income amounted to Ps. 36.3 million in fiscal year 2005 compared to Ps. 17.8 million recorded in fiscal year 2004. The operating margin was 46.4% in fiscal year 2005 and 25.6% in fiscal year 2004.

Net Financial results

Net financial results amounted to a gain of Ps. 63.8 million for fiscal year 2005 and a loss of Ps. 0.02 million for fiscal year 2004. This was mainly attributable to corporate notes bought from IRSA, adversely offset, in part, by the effect of interest and exchange losses in fiscal year 2005, which were not accounted for during 2004.

Financial results are broken down as follows (i) a gain of Ps. 68.7 million on the sale of corporate bonds acquired from IRSA. We have decided to realize part of the profit obtained through the investment in IRSA convertible notes through the sale aimed at third parties at market value of 8.8 million notes; (ii) a gain of Ps. 0.8 million on traded shares and securities, (iii) a loss of Ps. 3.0 million resulting from exchange rate differences; (iv) a loss of Ps. 1.6 million attributable to the financial transactions tax, and (v) a loss of Ps. 1.1 million resulting from interest and others.

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Income from related companies

The income on equity investments increased from Ps. 26.7 million in fiscal year 2004 to Ps. 28.1 million in fiscal year 2005 mainly due to the net income of IRSA in the fiscal year which amounted to Ps. 26.4 million, and the operating income obtained from Agro Uranga S.A. of Ps. 1.7 million.

Other income and expenses, net

In 2005, the item Other income and expenses, net amounted to a loss of Ps. 5.1 million compared to a loss of Ps. 0.4 million in fiscal 2004, mainly due to donations of Ps. 1.9 million and Ps. 0.7 million in the fiscal years 2005 and 2004, respectively, and the effect of the net worth tax levied on shareholders and borne by the Company this fiscal year.

Management Fee

Under the agreement entered into with Dolphin Fund Management S.A., we pay a fee equal to 10% of our net income for agricultural advisory services and other management services. The fees amounted to Ps. 8.5 million and Ps. 3.6 million in the fiscal years 2005 and 2004, respectively.

Income tax expense

Income tax increased from Ps. 8.6 million in fiscal year 2004 (Ps. 5.1 million for this fiscal year and Ps. 3.5 million deferred) and Ps. 37.8 million in fiscal year 2005 (Ps. 24.7 million for this fiscal exercise and Ps. 13.1 million deferred tax). The Company recognized its income tax charge on the basis of the deferred tax liability method, thus recognizing temporary differences between accounting and tax assets and liabilities measurements. The main temporary differences derive from cattle stock and fixed assets valuation. For purposes of determining the deferred assets and liabilities, the tax rate expected to be in force at the time of their reversion or use, according to the legal provisions enacted as of the date of issuance of these financial statements (35%) has been applied to the identified temporary differences and tax losses. The main cause for the income tax s increase from the fiscal year 2004 to 2005 is the sale of convertible notes which generated a Ps. 24.3 million tax. In addition, the deferred income tax increased as a result of the use for roll over (sale and replacement) of sale of the San Enrique and Ñacurutú properties which generated a deferred income tax of Ps. 9.2 million.

Minority interest

A third party interest amounting to Ps. 0.09 million was recorded during fiscal year 2005 to show the minority interest results in Futuros y Opciones.com S.A.

Net Income

Given the factors described above, the net income increased from Ps. 32.1 million for fiscal year 2004 to Ps. 76.8 million for fiscal year 2005. The net margin, computed as net income over total sales amounted to 98.2% for fiscal year 2005 and 46.1% for fiscal year 2004.

Year ended June 30, 2004 compared to the year ended June 30, 2003

Sales

Sales reached Ps. 69.7 million, 12.5% lower than those recorded in the previous year. Higher sales in the rest of the segments partially offset smaller agricultural sales.

Crops. Sales of grains decreased by 46.5%, from Ps. 50.2 million in fiscal year 2003 to Ps. 26.8 million in fiscal year 2004. The 47.0% drop in the volume of sales, from 121,426 tons down to 64,398 tons, was partially offset by a 1.2% rise in unit price in fiscal year 2004 compared to the price for fiscal year 2003. Average price per ton sold was Ps. 418 compared to Ps. 413 in the prior fiscal year. The production of grains increased by 6.03%, from 70,369 tons in fiscal year 2003 to 74,612 tons in fiscal year 2004 (the production of wheat and corn increased by 77.8% and 13.3% respectively and soybean decreased by 18.4%). The total sown surface area decreased from 23,638 hectares in fiscal year 2003 to 23,117 hectares in fiscal year 2004. The leased sown surface area decreased from 13,628 hectares in fiscal year 2003 to 9,766 hectares in fiscal year 2004 and the Company s own sown surface area increased from 10,010 hectares in fiscal year 2003 to 13,351 hectares in fiscal year 2004.

Beef Cattle. Sales of beef cattle increased by 34.8%, from Ps. 20.6 million in fiscal year 2003 to Ps. 27.7 million in fiscal year 2004. The 31.8% increase in the volume of sales was accompanied by a 2.3% increase in the price per ton sold. The volume of sales increased from 11,171 tons to 14,725 tons, while the sales price increased from Ps. 1.84 per kilogram in fiscal year 2003 to Ps. 1.88 per kilogram in fiscal year 2004. Average cattle stock increased from 87,709 heads in fiscal year 2003 to 93,386 in fiscal year 2004 and the total production of beef cattle increased by 15.4%, from 9,855 tons in fiscal year 2003 to 11,370 tons in fiscal year 2004. This increase was a result of an increase in our stock position in this segment and of a higher number of cattle head finished in feed lots. The number of our own hectares used in the production of beef cattle dropped from 135,342 hectares in fiscal year 2003 to 125,598 hectares in fiscal year 2004. This reduction is mainly related to the sale of the farm El 41 y 42 and with a conversion of hectares used for cattle raising into hectares used for agriculture at La Esmeralda.

Milk. Sales of milk increased by 32.2%, from Ps. 2.4 million in fiscal year 2003 to Ps. 3.2 million in fiscal year 2004 mainly due to an 18.3% increase in the average sales price, from Ps. 401 per one thousand liters in fiscal year 2003 to Ps. 474 per one thousand liters in fiscal year 2004; there was an increase in the volume of sales of milk attributable to an 11.7% increase in production as a result of a change in the feeding system in response to the drought. Total production was 6.0 million liters in fiscal year 2003 compared to 6.7 million liters in fiscal year 2004.

Feed lot. Sales increased by 59.9% from Ps. 4.5 million in fiscal year 2003 to Ps. 7.1 million in fiscal year 2004. This was mainly due to a higher average occupancy level from 17,500 heads in fiscal year 2003 to 23,900 heads in fiscal year 2004. During the present fiscal year capacity was increased by approximately 3,500 heads and the maximum occupancy level was reached. In addition an increase in the pricing of the ration components occurred, mainly in corn, which generated higher earnings.

Other. Sales increased by 140.7% from Ps. 2.0 million in fiscal year 2003 to Ps. 4.8 million in fiscal year 2004 mainly due to the Ps. 2.3 million increase in income derived from leases. Sustained demand at very good prices (average of US$ 200 per hectare) led us to the decision to decrease risks by assigning more hectares to this activity.

Cost of sales

Cost of sales decreased by 22.6% from Ps. 58.3 million in fiscal year 2003 to Ps. 45.1 million in fiscal year 2004. Cost of sales as a percentage of net sales decreased from 73.2% in fiscal year 2003 to 64.8% in fiscal year 2004.

Crops. The cost of sales of grains decreased from Ps. 39.4 million in fiscal year 2003 to Ps. 15.4 million in fiscal year 2004. This decrease is attributable mainly to the positive effect during fiscal year 2003 of the valuation of stock at the beginning of the year and, to a lesser extent, to the impact of the exchange rate on the costs of supplies.

Beef cattle. Cost of sales for beef cattle increased by 79% from Ps. 11.8 million in fiscal year 2003 to Ps. 21.1 million in fiscal year 2004. This increase mainly corresponds to the impact of a higher quantity of beef cattle finished in the feed lot as a consequence of the drought, from 8,400 heads in fiscal year 2003 to approximately 22,200 heads in 2004. The cost of sales for beef cattle as a percentage of sales of cattle increased from 57.3% in fiscal year 2003 to 76% in fiscal year 2004. The cost for each ton sold also increased from Ps. 1,054 in fiscal year 2003 to Ps. 1,432 in fiscal year 2004 for the same reasons.

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Milk. The cost of sales of milk decreased by 11.8% from Ps. 1.5 million in fiscal year 2003 to Ps. 1.3 million in fiscal year 2004. This decrease corresponds to the positive effect of the re-categorization of the beef cattle acquired during the fiscal year, partially offset by the negative impact of higher feeding costs as a result of the drought. The cost of sales for milk per thousand liters decreased from Ps. 246 in fiscal year 2003 to Ps. 194 in fiscal year 2004.

Feed lot. Feed lot cost of sales increased by 47.5% from Ps. 4.2 million in fiscal year 2003 to Ps. 6.2 million in fiscal year 2004. The increase responds to higher costs as a consequence of higher occupancy levels and a higher feeding cost due to the increase in corn prices. Feed lot costs as a percentage of sales decreased from 94.2% in fiscal year 2003 to 86.9% in fiscal year 2004.

Other. Costs decreased by 19.1% from Ps. 1.4 million in fiscal year 2003 to Ps. 1.1 million in fiscal year 2004 mainly due to the discontinuation of the firewood and charcoal business.

Gross Profit

As a result of the factors mentioned, gross profit increased to Ps.24.6 million in fiscal year 2004 compared to a Ps. 21.3 million profit recorded in fiscal year 2003.

Selling Expenses

Selling expenses decreased from Ps. 6.0 million in fiscal year 2003 to Ps. 4.9 million in fiscal year 2004. Selling expenses in agricultural activities represented 63.6% of total selling expenses, selling expenses in cattle raising activities represented 30.5% and the remaining 5.8% corresponds to the other activities. Selling expenses in grains as a percentage of sales amounted to 11.6% in fiscal year 2004. Selling expenses by ton of grains sold increased compared to those of the prior fiscal year amounting to Ps. 48 per ton in the current fiscal year. Selling expenses as a percentage of the sales of beef cattle decreased from 6.0% in fiscal year 2003 to 5.4% in fiscal year 2004 due to an improvement in our commercial agreements with our customers.

Sales of milk do not give rise to selling expenses as the production of milk is sold on a direct basis.

Administrative Expenses

Administrative expenses increased by 25.7% from Ps. 4.6 million in fiscal year 2003 to Ps. 5.7 million in fiscal year 2004, mainly due to the Ps. 0.7 million increase in salaries and wages and Ps. 0.4 million in fees and retributions for services. Administrative expenses include the Company s general expenses but they exclude expenses related to farmland management.

Result from sales of fixed assets

The result from the sales of fixed assets amounted to Ps. 1.7 million due to the sale of the farm El 41 y 42, with a surface area of 6,478 hectares and located at Tapenagá, Province of Chaco and 3 properties owned by Inversiones Ganaderas S.A. with a total surface area of 5,997 hectares located at Santo Domingo district, La Paz Department, Province of Catamarca.

The sale of the farm El 41 y 42 was agreed at US$ 1.0 million and it generated a profit of Ps. 1.1 million.

The sale of the 3 properties owned by Inversiones Ganaderas S.A. was agreed at US$ 0.4 million and generated a profit of Ps. 0.6 million.

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Inventory Holding result

The profit from holdings amounted to Ps. 2.2 million in fiscal year 2004, compared to Ps. 12.4 million in fiscal year 2003. This decrease reflects the profit from cattle holdings based on the increase in real prices during fiscal year 2003.

Operating result

Given the factors described above, the operating result amounted to Ps. 17.8 million in fiscal year 2004 compared to a profit of Ps. 28.0 million recorded in fiscal year 2003. The operating margin was 20.0% in fiscal year 2004 and 13.5% in fiscal year 2003.

Net Financial results

Net financial results provided a loss of Ps. 0.02 million for fiscal year 2004 and a loss of Ps. 11.1 million for fiscal year 2003. The Ps. 11.1 million variation was mainly due to the effect of Ps. 12.6 million foreign exchange difference compensated by a variation in the effects of inflation of Ps. 1.6 million.

Financial results are attributable to (i) a Ps. 0.3 million loss due to restatement factors; (ii) a Ps. 1.6 million profit derived from foreign exchange differences; and (iii) a Ps. 1.4 million loss from tax on debits and credits in bank accounts.

Result of investment in related companies

The result of investments in shares decreased from a Ps. 67.7 million profit in fiscal year 2003 to a Ps. 26.7 million profit in fiscal year 2004, mainly due to the net result of IRSA in the fiscal year which amounted to Ps. 22.4 million, Agro Uranga S.A. s operating profit, amounting to Ps. 1.9 million and goodwill and its intangible assets amortizations amounting to Ps. 2.4 million.

Other income and expenses, net

Other income and expenses, net during fiscal year 2004 provided a loss of Ps. 0.4 million compared to a loss of Ps. 2.1 million in fiscal year 2003.

Management Fees

Under the agreement entered into with Dolphin Fund Management S.A., we pay a fee equal to 10% of our net income for agricultural advisory services and other management services. The fees amounted to Ps. 7.2 million and Ps. 3.6 million in the fiscal years 2003 and 2004 respectively.

Gifts

Gifts amounted to Ps. 2.0 million and to Ps. 0.7 million in fiscal years 2003 and 2004 respectively.

Income tax

Income tax decreased from Ps. 10.5 million in fiscal year 2003 to Ps. 8.6 million in fiscal year 2004. The Company recognized its income tax charge on the basis of the deferred tax liability method, thus recognizing temporary differences between accounting and tax assets and liabilities measurements. The main temporary differences derive from cattle stock valuation. For purposes of determining the deferred assets and liabilities, the tax rate expected to be in force at the time of their reversion or use, according to the legal provisions enacted as of the date of issuance of these financial statements (35%) has been applied to the identified temporary differences and tax losses.

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Minority interest

A third party interest amounting to Ps. 0.1 million was recorded during fiscal year 2004 to show the minority interest in Futuros y Opciones.com S.A. results.

Net result

Given the factors described above, the net result decreased from a Ps. 65.0 million profit for fiscal year 2003 to Ps. 32.1 million net income for fiscal year 2004. The net margin, computed as net result over total sales amounted to 46.1% for fiscal year 2004.

B. LIQUIDITY AND CAPITAL RESOURCES

Our liquidity and capital resources include our cash and cash equivalent, proceeds from operating activities, sales of real estate investments, bank borrowing, long-term debt and capital financing.

The table below shows, for the periods indicated, our cash flows:

	As of end for the year ended June 30,		
	2005	2004	2003 (1)
	(Million of Pesos)		
Net cash (used in) provided by operating activities	(10.1)	(0.3)	12.4
Net cash provided by financing activities	1.7	16.7	165.6
Net cash provided by (used in) investing activities	62.7	(25.1)	(200.5)
Net increase (decrease) in cash and cash equivalents	54.3	(8.7)	(22.5)

(1) Adjusted for price-level changes and expressed in millions of constant Argentine Pesos of June 30, 2003.

As of June, 2005, we had cash and cash equivalents totaling Ps. 67.5 million, an increase from the Ps. 13.1 million balance held as of June 30, 2004. This increase primarily resulted from the proceeds from the sale of convertible notes for Ps. 93.5 million, from the sale of farms for Ps. 28.5 million and proceeds from the exercise of warrants by our bondholders for Ps. 10.9 million which were partially offset by cash outflows used in operating activities for Ps. 10.1 million, an additional investment in IRSA for Ps. 34.4 million, acquisition and upgrading of fixed assets for Ps. 26.0 million and payments of short-term debt. As of June, 2004, we had cash and cash equivalents totaling Ps. 13.1 million, a decrease from the Ps.21.8 million balance held as of June 30, 2003. This decrease was primarily due to the acquisition and improvement of fixed assets for Ps. 15.2 million, an additional investment in IRSA for Ps. 14.6 million and dividend payments of Ps. 1.5 million partially offset by the proceeds from the exercise of warrants by our bondholders for Ps. 23.1 million.

Net Cash (Used in) Provided by Operating Activities

Net cash used in operations increased from Ps. 0.3 million in fiscal year 2004 to Ps. 10.1 million in fiscal year 2005. Our operating activities resulted in net a cash decrease of Ps. 10.1 million for fiscal year 2005 essentially due to a decrease in current investments through the collection of interests on Convertible Notes, an increase in trade accounts payable and in dividends collected an operating gain of Ps. 6.3 million totaling Ps. 14.6 million which were offset by an increase in trade accounts receivable, other receivables, inventories, in social securities, charges, taxes payable and an increase in other liabilities payable for Ps. 24.7 million.

Net cash provided by operations decreased from Ps. 12.5 million in fiscal year 2003 to a net cash outflow of Ps. 0.3 million in fiscal year 2004. The decrease in net cash provided by operations activities was primarily due to the increase in other receivables, in trade accounts receivable and in social securities, charges, taxes payable and advances to customers for Ps. 15.7 million which were partially offset by a decrease in current investments of Ps. 5.9 million in fiscal year 2004 as compared to fiscal year 2003. Our operating activities resulted in net cash outflows of Ps. 0.3 million for fiscal year 2004 essentially due to a decrease in current investments and in trade accounts receivable and an increase in trade accounts payable of Ps. 10.3 million offset by an increase in inventories and dividends collected for Ps. 15.7 million.

Net Cash Provided by (Used in) Investing Activities

Net cash used in investing activities increased from a net use of Ps. 25.1 million in fiscal year 2004 to a net cash inflows of Ps. 62.7 million in fiscal year 2005. Our investing activities resulted in net cash inflow for Ps. 62.7 million in fiscal year 2005 mainly due to our sale of IRSA s Convertible Notes for Ps. 93.5 million, the collection of receivables related to the sale of fixed assets for Ps. 1.1 million and from the sale of fixed assets for Ps. 28.5 million, partially offset by the acquisition and upgrading of fixed assets for Ps. 25.9 million and the increase of our investment in IRSA for Ps. 34.4 million.

Net cash used in investing activities decreased from Ps. 200.6 million in fiscal year 2003 to Ps. 25.1 million in fiscal year 2004 mainly due to the decrease in the purchase of Convertible Notes of Ps. 175.6 million. Our investing activities resulted in net cash outflow of Ps. 25.1 million in fiscal year 2004 mainly due to investments in related companies of Ps. 14.6 million and the acquisition and upgrading of fixed assets for Ps. 15.2 million, partially offset by the sale of fixed assets for Ps. 4.9 million.

Net Cash Provided by (Used in) Financing Activities

Net cash inflow from financing activities decreased from Ps. 16.7 million in fiscal year 2004 to Ps. 1.7 million in fiscal year 2005. Our financing activities resulted in net cash inflows of Ps. 1.7 million primarily due to the exercise of warrants, stock options and contributions by minority shareholders of Ps. 12.0 million which were partially offset by payments of financial loans and dividends paid for Ps. 10.3 million.

Net cash provided from financing activities decreased from Ps. 165.7 million in fiscal year 2003 to Ps. 16.7 million in fiscal year 2004 primarily due to a decrease in proceeds of financial loans for Ps. 170.7 million, partially offset by the exercise of warrants for Ps. 23.1 million. Our financing activities resulted in net cash inflows of Ps. 16.7 million primarily due to the exercise of warrants, stock options and the subscription for treasury shares for Ps. 23.4 million partially offset by dividend payments, payments of financial loans and other issuance expenses of Convertible Notes for Ps. 13.5 million.

In our opinion, our working capital is sufficient for our present requirements. In the event that cash generated from our operations is at any time insufficient to finance our working capital, we would seek to finance such working capital needs through new debt, equity financing or selective asset sales.

Our Indebtedness

On October 15, 2002, we initiated a preemptive rights offering to subscribe for 50.0 million units consisting of US$ 50.0 million of 8% Convertible Notes due 2007 and non-detachable warrants to purchase additional shares of our common stock. The Convertible Notes may be converted at the holder s option into shares of our common stock until maturity on November 14, 2007, at the initial conversion price of US$ 0.5078 per common share. Each warrant will be exercisable on or after conversion of the Convertible Note to which it is attached at the same conversion price plus a 20% premium (US$ 0.6093). The rights offering to holders of our common shares and ADSs expired on November 13, 2002 and was fully subscribed.

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As of November 30, 2005, certain of our Convertible Notes holders exercised their conversion rights for a total of 12,990,152 units with a face value of US$ 1 each, whereas the ordinary stock delivered in exchange amounted to 25,581,198 with a face value of Ps.1 each. During the same period, 9,766,282 warrants were exercised, resulting in a cash inflow of US$ 11.7 million and the issuance of 19,232,507 shares with a face value of Ps. 1 each.

As of November 30, 2005, we had US$ 37,009,848 aggregate principal amount of Convertible Notes outstanding and 169,098,097 common shares outstanding.

Our total outstanding debt as of June 30, 2005 was Ps. 127.3 million, consisting of the Convertible Notes which mature on November 14, 2007 for Ps. 117.0 million and other loans in the amount of Ps. 10.3 million.

Between July and August 2004, we obtained a pre-export financing facility of US$ 4 million through Río de La Plata SA Bank at a fixed interest rate of 4% per annum, which was repaid in January and February, 2005.

In August 2004, we obtained a Ps. 20 million loan from Nación Bank at a fixed interest rate of 7% annual. Ps. 10 million were repaid on February, 2005 and the remaining Ps. 10 million in August 2005.

These loans allowed us to promote new production projects and generate a more efficient capital structure for the Company.

Capital Expenditures

Capital expenditures totaled Ps. 25.9 million, Ps. 15.2 million and Ps. 31.1 million for the fiscal years ended June 2005, 2004 and 2003, 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.

Our future capital expenditures for fiscal year 2006 will depend on the prevailing prices of land for agriculture and cattle as well as the evolution of commodity prices.

For the fiscal year ended June 30, 2005, our main investments consisted of Ps. 12.5 million in the acquisition of real estate, Ps. 0.2 million in improvements, Ps. 0.1 million in furniture and equipment, Ps. 4.2 million in facilities, Ps. 1.1 million in new pastures, Ps. 0.3 million in vehicles, Ps 0.6 million in construction, Ps. 1.8 million in machinery, Ps. 0.3 million in computer and communication accessories, Ps. 4.6 million in construction in progress (including Ps. 3.7 million from the development of our farm Los Pozos adding more space for agricultural and cattle production), Ps. 0.1 million in feed lot and Ps. 0.1 million in advances.

For the fiscal year ended June 30, 2004, our main investments consisted of Ps. 2.7 million in the acquisition of real estate, Ps. 0.1 million in improvements, Ps. 0.1 million in furniture and equipment, Ps. 1.6 million in facilities, Ps. 0.4 million in new pastures, Ps. 0.5 million in vehicles, Ps 0.1 million in construction, Ps. 0.1 million in machinery, Ps. 0.1 million in computer and communication accessories, Ps. 8.8 million in construction in progress (including Ps. 4.2 million from the development of our *Los Pozos* farm adding more space for agricultural and cattle production and Ps. 3.8 million from the development of hectares to be used in agriculture under irrigation in our *La Gramilla* and *Santa Bárbara* farm), Ps. 0.6 million in feed lot and Ps. 0.1 million in advances.

For the fiscal year ended June 30, 2003, our main investments consisted of Ps. 29.4 million in acquisition of real state, Ps. 0.3 million in improvements, Ps. 0.2 million in furniture and equipment, Ps. 0.3 million in facilities, Ps. 0.3 million in new pastures, Ps. 0.3 million in vehicles and Ps 0.3 million in construction in progress.

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IRSA s Results of Operations

Overview

We do not consolidate the consolidated financial statements of our subsidiary IRSA. However, according to Rule 3-09 of Regulation S-X we are required to file separate financial statements of significant subsidiaries. This Management s Discussion and Analysis of Financial Condition and Results of Operations should be read together with IRSA s consolidated financial statements appearing elsewhere in this prospectus. This discussion contains forward-looking statements that involve risks, uncertainties and assumptions. These forward-looking statements include, among others, those statements including the words expects , anticipates , intends , believes and similar language. The actual results may differ materially and adversely from those anticipated in these forward-looking statements as a result of many factors, including those set forth elsewhere in this prospectus.

IRSA maintains its financial books and records in Pesos and prepares its financial statements in conformity with Argentine GAAP and the regulations of the *Comisión Nacional de Valores*. See note 23 to the consolidated financial statements of IRSA for a description of the principal differences between Argentine GAAP and U.S. GAAP as they relate to IRSA, and a reconciliation to U.S. GAAP of net (loss) income and total shareholders equity. The differences involve methods of measuring the amounts shown in the financial statements as well as additional disclosures required by U.S. GAAP and Regulation S-X of the SEC.

As discussed in Notes 2.c. and 3.m. to IRSA s Consolidated Financial Statements, contained elsewhere in this annual report, in order to comply with *Comisión Nacional de Valores* regulations, IRSA discontinued inflation accounting as of March 1, 2003 as well as recognized deferred income tax assets and liabilities on a non-discounted basis. These accounting practices represent departures from generally accepted accounting principles in Argentina. However, IRSA believes such departures have not had a material effect on the Consolidated Financial Statements.

Critical Accounting Policies and Estimates

In connection with the preparation of the financial statements included in this annual report, IRSA has relied on variables and assumptions derived from historical experience and various other factors that IRSA deemed reasonable and relevant. Although IRSA review these estimates and assumptions in the ordinary course of business, the portrayal of IRSA s financial condition and results of operation often requires its management to make judgments regarding the effects of matters that are inherently uncertain on the carrying value of IRSA s assets and liabilities. Actual results may differ from those estimated under different variables, assumptions or conditions. In order to provide an understanding about how management forms its judgments about future events, including the variables and assumptions underlying the estimates, and the sensitivity of those judgments to different variables and conditions, IRSA has included comments related to each critical accounting policy described as follows:

- provision for allowances and contingencies;
- impairment of long-lived assets;
- debt restructuring;

- deferred income tax;
- asset tax credits

The Consolidated Financial Statements have been prepared in accordance with generally accepted accounting principles used in Argentina and regulations of the *Comisión Nacional de Valores* which

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differ in certain significant respects from generally accepted accounting principles in the United States of America. Such differences involve methods of measuring the amounts shown in the financial statements, as well as additional disclosures required by U.S. GAAP and regulations of the SEC.

Provision for allowances and contingencies

IRSA provides for losses relating to mortgage, lease and other accounts receivable. The allowance for losses is recognized when, based on current information and events, it is probable that IRSA will be unable to collect all amounts due according to the terms of the agreements. The allowance is determined on a one-by-one basis considering the present value of expected future cash flow or the fair value of collateral if the loan is collateral dependent, when applicable. While IRSA uses the information available to make evaluations, future adjustments to the allowance may be necessary if future economic conditions differ substantially from the assumptions used in making these evaluations. IRSA has considered all events and/or transactions that are subject to reasonable and normal methods of estimations, and IRSA s Consolidated Financial Statements reflect that consideration.

IRSA has certain contingent liabilities with respect to existing or potential claims, lawsuits and other proceedings, including those involving labor and other matters. IRSA accrues liabilities when it is probable that future costs will be incurred and such costs can be reasonably estimated. Such accruals are based on developments to date, IRSA s estimate of the outcomes of these matters and its lawyers experience in contesting, litigating and settling other matters. As the scope of the liabilities becomes better defined, there may be changes in the estimates of future costs, which could have a material effect on IRSA s future results of operations and financial condition or liquidity.

Impairment of long-lived assets

IRSA periodically evaluates the carrying value of its long-lived assets for impairment when events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. IRSA considers the carrying value of a long-lived asset to be impaired when the expected cash flows, undiscounted and without interest, from such asset are separately identifiable and less than its carrying value. In that event, a loss would be recognized based on the amount by which the carrying value exceeds the fair market value of the long-lived asset. IRSA determines the fair market value primarily using independent appraisal valuations and utilizing anticipated cash flows discounted at a rate commensurate to the risk involved.

Under Argentine GAAP a previously recognized impairment loss is reversed when there is a subsequent change in estimates used to compute the fair market value of the asset. In that event, the new carrying value of the asset is the lower of its fair market value or the net carrying value the asset would have had if no impairment would have been recognized. Both the impairment charge and the impairment reversal are recognized in earnings. US GAAP prohibits the reversal of a previously recognized impairment charge.

IRSA believes that the accounting policy related to the impairment of long-lived assets is a critical accounting policy because:

- it is highly susceptible to change from period to period because it requires company management to make assumptions, such as future revenues and costs, future vacancy rates and future prices; and the impact that recognizing or reversing an impairment would have on assets reported on IRSA s balance sheet, as well as on the results of its operations, could be material. Estimates about future prices and future vacancy rates require significant judgment because actual prices and vacancy rates have fluctuated in the past and are expected to continue to do so.

As of June 30, 2002 IRSA reviewed its assets related to Development and sales of properties, Office and others, Hotels and Shopping Centers segments for impairments due to the continued deterioration of the Argentine economy. As a result, as of June 30, 2002 IRSA had recognized an impairment of Ps. 140.6 million. During the years ended June 30, 2003 and 2005 IRSA also recognized impairment losses totaling Ps. 14.0 million and Ps. 0.2 million, respectively. As a result of increases in their fair market values, during the years ended June, 30, 2003, 2004 and 2005 IRSA partially reversed the impairment losses, recognizing gains of Ps. 25.4 million, Ps. 63.1 million and Ps. 28.2 million, respectively. Assets related to those four segments represent approximately 92% of IRSA s total long-lived assets as of June 30, 2005 and 2004.

The fair market value of IRSA s office and retail buildings was determined following the rent value method, considering each property s future cash flow, competition and historical vacancy rates. The price per square meter of its properties varies based on the category and the type of building. For Class A buildings the average price per square meter used was Ps. 45 while for Class A/B buildings the average was Ps. 32.5 and for Class B/C buildings was Ps. 17.5. The average vacancy rates were calculated taking into account the last ten years. The performance of a sensitivity analysis, which reduced the fair market value of these properties by 5%, would have resulted in a smaller reversal of impairment losses as of June 30, 2005 of Ps. 3.7 million.

Valuation of shopping centers was performed according to the rent value method. IRSA calculated discount rates considering each property s location, competition in its market, its historical vacancy rates and cash flow. The average discount rates IRSA used were between 12.5% and 15.5%, the average price per leasable square meter was Ps. 6,904 and the average vacancy rate was calculated taking into consideration the actual vacancy. The performance of a sensitivity analysis, which reduced prices per square meter by 5%, would have resulted in a smaller reversal of impairment losses as of June 30, 2005 of Ps. 0.6 million.

IRSA used the open market method for determining the fair market value of its land reserve and inventories. The performance of a sensitivity analysis, which reduced the fair market value of these properties by 5%, would have resulted in a smaller reversal of impairment losses as of June 30, 2005 of Ps. 2.7 million.

Debt restructuring

In November 2002 IRSA completed the refinancing of its debt for a total amount of US$ 103.4 million and IRSA also completed the arrangement with its lenders to refinance the Syndicate Loan for US$ 80 million and its Notes for US$ 37 million.

Since the conditions of the new debt instruments were substantially different from the original conditions (as defined by Technical Resolution No. 17), IRSA removed the original loans from the consolidated balance sheet and recognized the new debt instruments at the present value discounted at an 8% market interest rate. This rate was determined taking into consideration the rates that IRSA used in reference to its local borrowings. As a result of the debt restructuring in 2003, IRSA recognized a gain of Ps. 36.5 million (Ps. 31.7 million net of expenses incurred in the restructuring), which represents the difference between the present value of the new debt instruments and the carrying value of the old debts.

IRSA believes that the accounting estimate related to debt restructuring was a critical accounting estimate because if IRSA had calculated the present value of its debts using higher interest rates than 8%, IRSA would have had a material impact on its debts reported on its balance sheet as well as on its financing results.

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The utilization of interest rates other than 8% in calculating the present value of the new debts instruments would have the following effects on the related results for the fiscal year 2003:

Interest Rates	Gain in millions Ps.	Impact on Net Income	Impact on Shareholder´s equity
11%	16	5.59%	1.98%
16%	47	16.40%	5.81%
23%	73	25.49%	9.02%

Deferred income tax

IRSA recognizes income tax using the liability method. Accordingly, deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recorded or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment date. Technical Resolution No. 17 requires companies to record a valuation allowance for that component of net deferred tax assets which is not recoverable.

IRSA provided a valuation allowance for a portion of net deferred tax assets, as it do not consider the realization of the full tax benefit to be more likely than not. IRSA considered all evidence, both positive and negative, in determining if a valuation allowance is needed for some portion or all its deferred tax assets. These evidences consist primarily in:

Limitations in the use of certain deferred tax assets, primarily tax loss carry forwards.

Reversals of existing taxable temporary differences.

Business projections.

As a result of the evaluation of this evidence, IRSA accounted for a valuation allowance of approximately 46% of its deferred tax assets, amounting to Ps. 42 million. Net deferred tax assets as of June 30, 2005 were to Ps. 92.2 million.

A decrease and an increase of 10%, 20% and 30% in the net result of IRSA s projections utilized in determining the valuation allowance of its deferred tax assets would have had the following impact:

Premises fluctuation	Valuation allowance in million	Additional (loss) /gain in	Impact on Net income	Impact on Shareholder s equity

		million of Ps.		
-10%	47	-5	-4.8%	-0.4%
-20%	52	-10	-9.7%	-0.8%
-30%	57	-15	-14.5%	-1.2%
10%	37	5	4.8%	0.4%
20%	32	10	9.7%	0.8%
30%	27	15	14.5%	1.2%

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IRSA believes that the accounting estimate related to deferred income tax is a critical accounting estimate because:

- it is highly susceptible to change from period to period because it requires company management to make assumptions, such as future revenues and expenses, exchange rates and inflation among others; and

- the impact that calculating income tax using this method would have on assets or liabilities reported on its consolidated balance sheet as well as on the income tax result reported in its consolidated statement of income could be material.

Asset tax credits

IRSA calculates the asset tax provision by applying the current 1% rate on computable assets at the end of the year. This tax complements income tax. IRSA s tax obligation in each year will coincide with the higher of the two taxes. However, if asset tax provision exceeds income tax in a given year, that amount in excess can be offset against income tax arising in any of the following ten years.

IRSA has recognized the asset tax provision paid in previous years as a credit as IRSA estimates that it will offset future years income tax.

IRSA believes that the accounting policy related to asset tax provision is a critical accounting policy because it requires management to make estimates and assumptions with respect to IRSA s future results that are highly susceptible to change from period to period, and as such the impact on IRSA s financial position and results of operations could be material.

IRSA s economic limitations related to the distribution of dividends.

In accordance with certain obligations assumed by IRSA, there are limitations on the dividends that IRSA can distribute. Under the Unsecured Loan Agreement for US$ 51 million, IRSA: (i) shall not be able to pay dividends or make any distribution or repurchase of debt or shares except for restricted payments from IRSA s subsidiaries, (ii) restricted payments can be made as long as no event of default shall have occurred and be continuing or would occur as a consequence thereof, and no breach of the financial covenants shall have occurred in the calculation period immediately preceding the proposed date of such restricted payment.

The Fourth Supplemental Indenture that governs the terms of the Series 03 Secured Notes due 2009 for US$ 37.4 million contains the same restrictions on the payment of dividends, although limited to the existence of outstanding Series 03 Secured Notes due 2009.

As from fiscal year 2003 IRSA reported profits each year, although owing to the restrictions arising from its debt instruments, IRSA was prevented from distributing dividends.

IRSA is temporarily restricted in the distribution of dividends until November 2009 due to the financial commitments assumed in its debt restructuring. Although IRSA expects to distribute cash dividends in the future, IRSA cannot assure that it will be able to do so.

The table that follows presents the dividend payment ratio and the total amount of dividends paid for each fully paid-in common share for the mentioned years. Figures in Pesos are stated in historical Pesos at the corresponding date.

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	Payments [1]		
Year declared	Cash dividends	Stock dividends	Total per share
	(Pesos)	(Pesos)	(Pesos)
1995	0.094	0.06	0.154
1996	0.092		0.092
1997	0.110		0.110
1998	0.060	0.05	0.110
1999	0.076	0.04	0.116
2000		0.20	0.204
2001			
2002			
2003			
2004			
2005			

(1) Corresponds to per share payments. To calculate the dividends paid per global depositary shares, the payment per share should be multiplied by ten.

Although IRSA s intentions are to distribute cash dividends in the future, there can be no assurance that IRSA will be able to do it.

IRSA s U.S. GAAP Reconciliation

The accounting principles applied in Argentina vary in certain significant respects from accounting principles applied in the United States. Application of accounting principles generally accepted in the United States (U.S. GAAP) would have affected the determination of amounts shown as net income (loss) for each of the three years in the period ended June 30, 2005, and the amounts of total shareholders equity as of June 30, 2005 and 2004, to the extent summarized in Note 23 to IRSA s consolidated Financial Statements.

The principal differences, other than inflation accounting, between Argentine GAAP and U.S. GAAP are related to the following:

(i) the impact of certain U.S. GAAP adjustments on equity investees;

(ii) the accounting for marketable securities;

(iii) the accounting for the non-contributory management stock ownership plan;

(iv) the application of different useful lives for depreciation purposes;

(v) the deferral of certain preoperating and organization expenses under Argentine GAAP which are expensed as incurred under U.S. GAAP;

(vi) the accounting for a mortgage payable with no stated interest;

(vii) the accounting for securitization programs;

(viii) the application of certain U.S. GAAP adjustments to the estimation of the fair value of net assets acquired;

(ix) the present-value accounting;

(x) the restoration of previously recognized impairment losses accounting;

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(xi) the accounting for Convertible Notes;

(xii) the accounting for troubled debt restructuring;

(xiii) the accounting for real estate barter transactions;

(xiv) the accounting for the appraisal revaluation of fixed assets;

(xv) the accounting for deferred charges;

(xvi) the amortization of fees related to the Senior Notes;

(xvii) the accounting for software obtained for internal use;

(xviii) the accounting for changes in interest in consolidated affiliated companies;

(xix) the accounting for increasing rate debt;

(xx) the accounting for certain inventories for which we have received advance payments that fix sales prices and the contractual terms which assure the closing of the sale and the realization of the gain;

(xxi) the differences between the price-level restated amounts of assets and liabilities and their historical basis, that under Argentine GAAP, are treated as permanent differences in accounting for deferred income tax calculation purposes while under US GAAP are treated as temporary differences;

(xxii) the effects on deferred income tax of the foregoing taxes [and] of the above-mentioned reconciling items, as appropriate; and

(xxiii) the effect on minority interest of the above-mentioned reconciling items, as appropriate.

In addition, certain other disclosures required under U.S. GAAP have been included in the U.S. GAAP reconciliation. See Note 23 to IRSA s consolidated Financial Statements, included elsewhere in this annual report for details.

Net income under Argentine GAAP for the years ended June 30, 2005, 2004 and 2003 was Ps. 103.2 million, Ps. 87.9 million, and Ps. 286.4 million, respectively, as compared to Ps. 129.4 million, Ps. 2.8 million and Ps. 235.1 million, respectively, under U.S. GAAP. Shareholders equity under Argentine GAAP as of June 30, 2005 and 2004, was Ps. 1,252.2 million and Ps. 959.9 million, respectively, as compared to Ps. 921.7 million and Ps. 587.7 million, respectively, under U.S. GAAP.

IRSA s Results of Operations for the fiscal years ended June 30, 2005 and 2004.

Revenues

Revenues increased by 41.8% from Ps. 260.8 million for the fiscal year ended June 30, 2004 to Ps. 369.9 million for the fiscal year ended June 30, 2005. This increase is due to an increase in revenues from all IRSA s business units.

Development and Sale of Properties. Revenues from development and sale of properties increased by 6.8%, from Ps. 30.3 million for the fiscal year ended June 30, 2004, to Ps. 32.3 million for the fiscal year ended June 30, 2005. The increase in revenues in the development and sale of properties segment was mainly attributable to the net effect of (i) the Ps. 23.6 million increase in sales of Dock III; (ii) the Ps. 3.5 million decrease in sales from the residential communities of Abril, which decreased by 48%;

(iii) the Ps. 11.8 million decrease in sales of undeveloped parcels of land arising from non-recurring sales during the past fiscal year of Benavídez; and (iv) the decrease of Ps. 5.9 million in the sale of other real estate, due to the non-recurring sale of Dock II for Ps. 5.2 million.

Offices and other non shopping center rental properties. Revenues from Offices and other *non shopping center rental properties* increased by 28.3%, from Ps. 15.1 million for the fiscal year ended June 30, 2004, to Ps. 19.4 million for the fiscal year ended June 30, 2005. This increase is mainly due to a 29.7% increase in revenues from office rents, from Ps. 13.8 million in the fiscal year ended June 30, 2004, to Ps. 17.9 million for the fiscal year ended June 30, 2005. This increase in revenues is attributed to (i) the increase in the occupancy rates and monthly rental income of the majority of the buildings, principally in Intercontinental Plaza Tower for Ps. 1.2 million, Maipú 1300 for Ps. 0.8 million, Costeros Dock IV for Ps. 0.6 million and Libertador 498 for Ps. 0.5 million, and (ii) the purchase of Bouchard 710, a new building for lease which provided revenues of Ps. 0.4 million during June 2005. The percentage of room occupied in this segment increased by 13% from 76% as of June 2004 to 89% as of June 2005.

Shopping Centers. Revenues from Shopping centers increased by 60.6 % from Ps. 143.2 million during the fiscal year ended June 30, 2004, to Ps. 230.2 million during the fiscal year ended June 30, 2005. The increase is attributed principally to (i) an increase of 46.2% in revenues from leases and services, from Ps. 113.2 million to 165.5 million mainly due to a sustained increase of 29.6% in sales of IRSA s tenants (from Ps. 1.148 million in 2004 to Ps. 1.488 million in 2005) shown in the growth of IRSA s revenues from rental and admission rights for Ps. 37.7 million, the inclusion of Mendoza Plaza Shopping s revenues of Ps. 9.2 million resulting from the consolidation of such company as from October 1, 2004 due to gaining control as a result of the acquisition of an additional 49.9% interest and the inauguration of Alto Rosario Shopping that took place on November 9, 2004 which produced an increase in revenues of Ps. 5.5 million and (ii) an increase of 114.9% in revenues from credit card operations from Ps. 30.0 million to Ps. 64.6 million due to the growth of IRSA s customer portfolio, its sales and the number of cardholders, all driven by the economic recovery that has taken place during the year, which led Tarjeta Shopping to the opening of new branches in different cities country-wide. This last fact generated a significant growth of the credit portfolio, which went from Ps. 92 million in fiscal year 2004 to Ps. 204 million in 2005 (the securitized portfolio included). The percentage of occupancy rates of IRSA s Shopping centers stayed at 99% during this year.

Hotels. Revenues from hotel operations increased by 22.2%, from Ps. 71.3 million for the fiscal year ended June 30, 2004 to Ps. 87.1 million for the fiscal year ended June 30, 2005, due to an increase in average price per room from Llao Llao from Ps. 460 during fiscal year 2004 to Ps. 547 during fiscal year 2005 and an increase in average occupancy in all IRSA s hotels, from 68% during the fiscal year 2004 to 75% during the fiscal year 2005. Revenues from Hotel Sheraton Libertador increased by Ps. 4.9 million, revenues from the Hotel Intercontinental increased by Ps. 7.1 million and revenues from Hotel Llao Llao increased by Ps. 3.8 million.

Financial operations and others. Revenues from Financial operations and others remained constant at Ps. 0.9 million both fiscal years. Revenues included in this line represent fees for services with no specific allocation to any of the previous segments.

Costs

Costs increased by 13.2%, from Ps. 147.4 million during the fiscal year ended June 30, 2004 to Ps. 166.8 million for the fiscal year ended June 30, 2005. This variation is mainly due to the net effect of (i) an increase in costs in the Shopping centers and Hotels and (ii) a decrease in costs in the Development and sale of properties and Offices and other non-shopping rental property segments. Costs as a percentage of revenues decreased from 56.5% for the fiscal year ended June 30, 2004 to 45.1% for the fiscal year ended June 30, 2005.

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Development and Sale of Properties. Costs related to Development and Sale of Properties decreased by 34.5%, from Ps. 25.9 million for the fiscal year ended June 30, 2004 to Ps. 16.9 million for the fiscal year ended June 30, 2005 as a result of a decrease in the operation volume of sales as well as to a low cost of sales in the case of Dock III in comparison with costs of sales recorded in the cases of Benavídez and Dock II. Costs relating to Development and Sale of Properties as a percentage of revenues from the segment decreased from 85.1% during the fiscal year ended June 30, 2004 to 52.5% during the fiscal year ended June 30, 2005.

Offices and other non shopping center rental properties. Costs of Offices and other non shopping center rental properties decreased by 7.2%, from Ps 8.3 million during the fiscal year ended June 30, 2004 to Ps. 7.7 million during the fiscal year ended June 30, 2005. This decrease in cost of Offices and other segment was mainly due to a reduction in maintenance expenses of vacant space in IRSA s buildings during this year as a result of higher occupancy rates in its buildings. The main component of cost of offices is the depreciation of leased properties.

Shopping Centers. Costs related to Shopping centers increased by 27.3% from Ps. 72.4 million in the fiscal year ended June 2004 to Ps. 92.4 million in the fiscal year ended June 30, 2005. This increase is due to: (i) an increase of 14.2% in leases and services costs mainly due to a Ps. 4.9 million cost resulting from the opening of Alto Rosario Shopping and a Ps. 3.2 million cost relating to the consolidation of Mendoza Plaza Shopping S.A. as of October 2004. The expenses that were modified are charges for amortization and non-recovered expenses; and (ii) a 77.1% increase of credit card operations cost due to an increase of Ps. 3.6 million in expenses arising from salaries and social security charges and of Ps. 1.5 million in taxes, duties and contributions as a result of the expansion and opening of new branches, a higher charge in commissions and interest of Ps. 2.3 million and an increase in fee and services expenses of Ps. 1.6 million, due to the new issues of the securitization program.

Hotels. Costs from hotel operations increased by 22.2%, from Ps. 40.0 million during the fiscal year ended June 30, 2004 to Ps. 48.9 million during the fiscal year ended June 30, 2005, primarily due to the increase in revenues. Higher costs of hotels are also due to an increase in depreciation and salaries and social security contributions. Costs relating to hotel operations as a percentage of revenues from the segment remained constant at 56.2% for both fiscal years.

Financial operations and Others. Costs from Financial operations and other segments increased by 25% from Ps. 0.8 million for the fiscal year ended June 30, 2004 to Ps. 0.9 million for the fiscal year ended June 30, 2005. Costs included in this line represent expenses incurred in the rendering of services that generate revenues.

Gross Profit

As a result of the foregoing, the gross profit increased by 79.1%, from Ps. 113.4 million during the fiscal year ended June 30, 2004 to Ps 203.1 million during the fiscal year ended June 30, 2005.

Gain from valuation of inventories at fair market value

This line was generated during the current year and arises as a result of valuing at fair market value those inventories on which IRSA has received advances that fix prices, and the contract terms and conditions of the transactions that IRSA has signed assure the effective conclusion of the sale and the gain. Such a valuation criteria was principally applied to the Cruceros and Dock III undertakings in a total amount of Ps. 17.3 million.

Selling Expenses

Selling expenses increased by 72.3%, from Ps. 22.0 million during the fiscal year ended June 30, 2004 to Ps. 37.9 million during the fiscal year ended June 30, 2005, primarily due to the net effect of (i) a decrease in sales and developments selling expenses and (ii) an increase in Offices and others, Shopping Centers and Hotels selling expenses. Selling expenses as a percentage of revenues increased from 8.4% during the fiscal year ended June 30, 2004, to 10.2% during the fiscal year ended June 30, 2005.

Development and Sale of Properties. Selling expenses from Development and Sale of Properties decreased by 35.2%, from Ps. 4.0 million during the fiscal year ended June 30, 2004 to Ps. 2.6 million during the fiscal year ended June 30, 2005, as a consequence of the decrease in sales operations during this fiscal year and due to the fact that the principal sale transaction of the current period, Dock III, had no direct commercial expenses or significant commissions. Main components of selling expenses of Development and Sale of Properties are commissions and expenses from sales, sealing and gross sales tax.

Offices and other non shopping center rental properties. Selling expenses relating to Offices and other non shopping center rental properties increased from Ps. 0.05 million during the fiscal year ended June 30, 2004 to Ps. 0.9 million during the fiscal year ended June 30, 2005. The increase of marketing expenses is principally related to the increase in revenues in such segment.

Shopping Centers. Selling expenses relating to Shopping centers increased by 150.4% from Ps. 9.8 million during the fiscal year ended June 30, 2004 to Ps. 24.6 million during the fiscal year ended June 30, 2005. The increase was mainly due to the following: (i) selling expenses from leases and services increased by 109.4%, from Ps. 5.2 million for the fiscal year ended June 30, 2004 to Ps. 10.9 million for the fiscal year ended June 30, 2005, mainly due to an increase of Ps. 3.4 million in provision for bad debts, an increase of Ps. 1.4 million in turnover taxes in line with IRSA s higher revenues, the inclusion of expenses of Mendoza Plaza Shopping for 1.3 million due to its consolidation, and stamp taxes due to the opening of Alto Rosario of Ps. 0.4 million; and (ii) marketing expenses of Credit Cards increased from Ps. 4.5 million during year 2004 to Ps. 13.5 million during fiscal year 2005 due to an increase of Ps. 6.3 million in advertising expenses, a higher charge of Ps. 2.1 million in turnover taxes as a result of IRSA s higher revenues, and an increase in bad debts of Ps. 0.5 million in line with the growth of its credit portfolio.

Hotels. Selling expenses relating to Hotel s operations increased by 20.1% from Ps. 8.2 million during fiscal year 2004 to Ps. 9.8 million during fiscal year 2005, manly due to an increase in the gross sales tax, salary and social security and the tourism agencies commissions due to an increase in revenues in the segment in line with higher activities.

Administrative Expenses

Administrative expenses increased by 38.8%, from Ps. 50.2 million during fiscal year 2004 to Ps. 69.7 million during fiscal year 2005, due to an increase in administrative expenses relating to all business units. The main components of administrative expenses are salaries and social security, fees and compensation for services, and depreciation and amortization.

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Development and Sale of Properties. Administrative expenses of Development and Sale of Properties increased by 42.2%, from Ps. 6.7 million during the fiscal year ended June 30, 2004 to Ps. 9.5 million for the fiscal year ended June 30, 2005, primarily due to (i) a Ps. 1.1 million increase in salary and social security; (ii) a Ps. 0.6 million increase in Directors fees; and (iii) the change in percentages of pro-rata allocation of the administration expenses between both fiscal years among this segment, and Offices and other non-shopping center leased properties segment. Administrative expenses of Development and Sale of Properties as a percentage of revenues from this segment increased from 22.1% during the fiscal year ended June 30, 2004 to 29.5% during the fiscal year ended June 30, 2005.

Offices and other non-shopping center leased properties. Administrative expenses of Offices and other non-shopping center leased properties increased by 113.0%, from Ps. 4.3 million during the fiscal year ended June 30, 2004 to Ps. 9.2 million during the fiscal year ended June 30, 2005. The increase is mainly due to the change in percentages of pro-rata allocation of the administration expenses between both fiscal years among this segment and the Development and Sale of Properties segment and, in a lesser degree, a Ps. 0.8 million increase in salaries and social security charges and a Ps. 0.4 million increase in Directors fees.

Shopping Centers. Administrative expenses of Shopping centers increased by 33.7%, from Ps. 23.6 million during the fiscal year ended June 30, 2004 to Ps. 31.6 million during the fiscal year ended June 30, 2005, primarily as a result of (i) the increase in administrative expenses from leases and services as a result of: the consolidation of Mendoza Plaza Shopping s administrative expenses of Ps. 1.3 million, an increase of the board of directors´ fees of Ps. 1.5 million, an increase of the amount of salaries, bonuses and social security charges of Ps. 1.4 million and an increase of tax charges, duties and contributions of Ps. 1.1 million, mainly due to an increase of the financial transactions tax; (ii) the increase in administrative expenses from credit card operations of Ps. 6.7 million mainly due to: increases in the amount of salaries, bonuses and social security charges as a consequence of an increase in the Company s payroll, in fees and third parties services related to new issues of IRSA s securitization programs and in tax charges, duties and contributions and rent expenses due to the opening of new branches and (iii) the decrease of Ps. 4.0 million in other administrative expenses allocated to Shopping Centers segment due to the change in percentages of pro-rata between both fiscal years.

Hotels. Administrative expenses of Hotels increased by 24.5%, from Ps. 15.6 million for the fiscal year ended June 30, 2004 to Ps. 19.4 million during the fiscal year ended June 30, 2005, mainly due to (i) a Ps. 2.6 million increase from Hotel Llao Llao as a consequence of the increase in taxes, services and salaries which was mainly due to the higher payroll and higher salaries attributable to the increase in the hotel activity. The increase in taxes and rates is mainly due to the higher municipal tax and the financial transaction tax; (ii) a Ps. 0.9 million increase from Sheraton Libertador hotels, as a consequence of the increase in fees and compensation for services; and (iii) a Ps. 1.0 million increase from Hotel Intercontinental. Administrative expenses of Hotels as a percentage of revenues from hotel operations increased from 21.9% during the fiscal year ended June 30, 2004 to 22.3% during the fiscal year ended June 30, 2005.

Gain in Credit Card Trust

This result stems from the retained interests held by Alto Palermo in the Tarjeta Shopping Credit Card Trusts. The results of Credit Card trusts increased from Ps. 0.3 million during fiscal year 2004 to Ps. 0.4 million during fiscal year 2005.

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Gain from Operations and Holdings of Real Estate Assets, net

The results from operations and holdings of real estate assets, net, decreased from one year to another by Ps. 35.2 million, from a gain of Ps. 63.1 million for the fiscal year ended June 30, 2004 to a gain of Ps. 27.9 million for the fiscal year ended June 30, 2005. The lower income generated during the present year in comparison with the previous year is due to a lower amount of recovery of the allowance for the impairment of real estate assets.

Operating Income

As a result of the foregoing, IRSA s operating income increased by 35.1% from a profit of Ps. 104.6 million during the fiscal year ended June 30, 2004 to a profit of Ps. 141.2 million during fiscal year 2005.

*Development and Sale of Properties. O*perating income from Development and Sales of properties increased from Ps. 0.7 million during the fiscal year ended June 30, 2004 to Ps. 21.1 million for the fiscal year ended June 30, 2005.

Offices and other non-shopping center rental properties. Operating income from Offices and other non-shopping center leased properties decreased from Ps. 30.2 million during the fiscal year ended June 30, 2004 to Ps. 13.8 million for fiscal year 2005.

Shopping Centers. Operating income from Shopping Centers increased from Ps. 63.4 million during fiscal year 2004 to Ps. 95.2 million during fiscal year 2005.

Hotels. Operating income from hotels increased by 9.1% from Ps. 10.2 million during fiscal year 2004 to Ps. 11.1 million during fiscal year 2005.

Financial operations and Others. Operating income from Financial Operations and Others segment decreased by Ps. 0.1 million from a gain of Ps. 0.06 million for the year ended June 30, 2004 to a loss of Ps. 0.04 million for the fiscal year ended June 30, 2005.

Amortization of goodwill

The loss reported under this heading mainly includes (i) the amortization of goodwill stemming from the acquisition of APSA s subsidiaries: Shopping Alto Palermo S.A. (SAPSA), Fibesa S.A. and Tarshop S.A.; and (ii) the amortization of the negative goodwill from the purchase of stock in APSA. Amortization of goodwill decreased by 42.7% from Ps. 2.9 million during fiscal year 2004 to Ps. 1.7 million during fiscal year 2005, largely due to positive amortization related to an increase in negative goodwill during the current year.

Financial results, net

Financial results, net showed a variation of Ps. 23.8 million, from a gain of Ps. 11.6 million during the fiscal year ended June 30, 2004 to a loss of Ps. 12.2 million during the fiscal year ended June 30, 2005. The main reasons for this variation were: (i) the exchange difference gain with regard to the previous year amounting to Ps. 17.0 million, owing to the appreciation of the Peso to the U.S. Dollar from 2.958 in 2004 to 2.887 in 2005; (ii) a gain of Ps. 48.7 million generated in the previous year from Banco Hipotecario shares, that, as a result of a change in valuation criteria, were recorded using the equity method of accounting, disclosed under Equity gain (loss) from related parties in the Income

Statement, (iii) the lower discounts obtained this year amounting to Ps. 5.0 million; and (iv) the Ps.13.2 million decrease of financial costs due mainly to the decrease in financial debt as a consequence of conversions of IRSA s convertible notes made by holders and the settlement of APSA Notes and Senior Notes.

Equity gain (loss) from related companies

Gain from related companies increased by Ps. 40.2 million from Ps. 26.7 million during the fiscal year ended June 30, 2004 to Ps. 66.9 million during the fiscal year ended June 30, 2005. This increase is mainly due to: (i) a higher gain of Ps. 29.0 million recorded in the current year compared to previous year related to IRSA s investment in Banco Hipotecario, and (ii) a gain of Ps. 12.2 million during the fiscal year 2005 corresponding to the hotels segment.

Other expenses, net

Other expenses, net increased by Ps. 1.0 million, from a loss of Ps. 13.6 million during the fiscal year ended June 30, 2004 to a loss of Ps. 14.6 million during the fiscal year ended June 30, 2005, primarily due to the net effect of (i) an increase of Ps. 2.9 million in the tax on personal assets of shareholders; (ii) an increase in donations for Ps. 1.5 million; and (iii) a decrease of Ps. 3.3 million in the charge for contingencies due to lower exposures from lawsuits.

Income before Taxes and Minority Interest

As a result of the foregoing, income before taxes and minority interest increased by 42.1%, from Ps. 126.4 million during the fiscal year ended June 30, 2004, to Ps. 179.6 million during fiscal year 2005.

Minority Interest

Minority interest increased by 80.3% from a loss of Ps. 12.8 million during fiscal year 2004 to a loss of Ps. 23.2 million during fiscal year 2005, mainly due to (i) the increase in the results of the Shopping Center segment which increased the results of the minority shareholders, net of the increase in the Company s ownership interest in APSA; and (ii) the increase in the results of IRSA s subsidiary Palermo Invest which increased the results of the minority shareholders from Ps. 0.8 million during fiscal year 2004 to Ps. 2.1 million during fiscal year 2005.

Income Tax and Asset tax

Income tax and asset tax increased by Ps. 27.5 million, from Ps. 25.7 million during the fiscal year ended June 30, 2004, to Ps. 53.2 million during the fiscal year ended June 30, 2005. The effective tax rates for fiscal years 2005 and 2004 were 30% and 20%, respectively. These effective rates differ from the statutory tax rate mainly due to non-deductibe amortization and depreciation charges originated by inflation accounting and the inventories costs considering that it have been adjusted by inflation in accordance with accounting principles. IRSA record income taxes using the deferred tax method. Accordingly, deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. IRSA has treated the differences between the price-level restated amounts of assets and liabilities and their historical basis as permanent differences for deferred income tax calculation purposes as prescribed by Argentine GAAP.

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Net income

As a result of the foregoing, net income increased by 17.5% from a gain of Ps. 87.9 million during the fiscal year ended June 30, 2004 to a gain of Ps. 103.2 million during the fiscal year ended June 30, 2005.

Results of Operations for the fiscal years ended June 30, 2004 and 2003.

Revenues

Revenues increased by 10.3%, from Ps. 236.5 million for the fiscal year ended June 30, 2003, to Ps. 260.8 million for the fiscal year ended June 30, 2004. This increase reflects a rise in revenues from the Shopping Center and Hotels segments, partially offset by a decrease in revenues from the Development and Sale of Properties and Offices and Other Non-shopping Center Leased Properties segments as discussed in detail below.

Development and Sale of Properties. Revenues from Development and Sale of Properties decreased by 35.0%, from Ps. 46.6 million for the fiscal year ended June 30, 2003, to Ps. 30.3 million for the fiscal year ended June 30, 2004. This decrease was attributable to (i) a Ps. 9.7 million reduction in sales of housing units principally in Alto Palermo Park as a result of the sale of this property during 2003; (ii) a Ps. 6.8 million decrease in sales of residential communities mainly Abril, which fell by 50%; and (iii) a Ps. 11.7 million decrease in sales of other properties due to the sale of Hotel Piscis for Ps. 9.9 million during 2003. Such decreases were partially offset by the sale of Benavídez in 2004 for Ps. 11.8 million.

Offices and other Non-shopping center leased properties. Revenues from Offices and other Non-shopping center leased properties decreased by 14.8%, from Ps. 17.8 million during the fiscal year ended June 30, 2003, to Ps. 15.1 million during the fiscal year ended June 30, 2004. This decrease is mainly due to a decrease in revenues from leases primarily as a result of a decrease in the average rates and in the average occupancy level, from Ps. 16.2 million in the fiscal year ended June 30, 2003 to Ps. 13.8 million in the fiscal year ended June 30, 2004. This decrease in revenues from leases was attributed to (i) the decrease in monthly rental income during fiscal year 2004, especially in Intercontinental Plaza Tower (Ps. 1.5 million decrease) and Laminar Plaza (Ps. 0.6 million decrease), and (ii) the sale of three floors and several parking spaces in Madero 1020, which generated a reduction in leases of Ps. 0.8 million. This decrease was partially offset by a Ps. 0.4 million increase in revenue from Edificios Costeros, where the average occupancy level rose from 63% to 98%.

Shopping Centers. Revenues from Shopping Centers increased by 25.8 %, from Ps. 113.8 million during the fiscal year ended June 30, 2003, to Ps. 143.2 million during the fiscal year ended June 30, 2004. The increase was attributed principally to a 26.5% increase in income from leases and services, from Ps. 88.8 million to Ps. 113.2 million, and an increase of 20.5% from Tarjeta Shopping s revenues, from Ps. 24.9 million to Ps. 30.0 million. The percentage of occupancy ratios of IRSA s Shopping Centers increased from 96% in fiscal year 2003 to 99% in fiscal year 2004.

Hotels. Revenues from Hotels went up 23.5%, from Ps. 57.7 million for the fiscal year ended June 30, 2003 to Ps. 71.3 million for the fiscal year ended June 30, 2004, as a result of an increase in Llao Llao s average price per room and an increase in average occupancy in all IRSA s hotels, from 57% during fiscal year 2003 to 68% during fiscal year 2004. Revenues from Hotel Sheraton Libertador increased by Ps. 4.1 million, revenues from Hotel Intercontinental increased by Ps. 3.8 million and revenues from Hotel Llao Llao increased by Ps. 6.0 million. Furthermore, during fiscal year 2003 IRSA recognized sales from the Hotel Piscis for Ps. 0.3 million.

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Financial operations and others. Revenues from Financial operations and others increased by 37.4% from Ps. 0.6 during the fiscal year ended June 30, 2003, to Ps. 0.9 million for the fiscal year ended June 30, 2004. Revenues included in this line represent fees for services with no specific allocation to any of the previous segments.

Costs

Total costs decreased by 4.7%, from Ps. 154.7 million during the fiscal year ended June 30, 2003 to Ps. 147.4 million for the fiscal year ended June 30, 2004. This reduction is the net result of (i) an increase in costs in the Shopping Centers and Hotels segments and (ii) a decrease in costs in the Development and Sale of Properties and Offices and Other Non-shopping Rental Properties segments.

Development and Sale of Properties. Costs related to Development and Sale of Properties decreased by 44.4%, from Ps. 46.5 million in the fiscal year ended June 30, 2003 to Ps. 25.9 million for the fiscal year ended June 30, 2004 mainly as a result of a decrease in total costs per square meter sold due to lower sales and to a lesser degree, as a result of a decrease in maintenance expenses of the available for sale properties due to a small portfolio. Costs relating to Development and Sale of Properties as a percentage of revenues from the segment decreased from 99.7% during the fiscal year ended June 30, 2003 to 86.2% during the fiscal year ended June 30, 2004.

Offices and other Non-shopping center leased properties. Costs of Offices and other Non-shopping center leased properties decreased by 9%, from Ps 9.1 million during the fiscal year ended June 30, 2003 to Ps. 8.3 million during the fiscal year ended June 30, 2004 due to a decrease in maintenance expenses of the available for rent properties. The main component of cost of Offices and Other is represented by the depreciation of leased properties, which remained stable.

Shopping Centers. Costs related to Shopping Centers increased by 8.0%, from Ps. 67.1 million in the fiscal year ended June 30, 2003 to Ps. 72.4 million in the fiscal year ended June 30, 2004. This increase was due to: (i) a 2.5% increase in leases and services costs resulting mainly from higher costs derived from car-parking of Ps. 0.9 million, increases in the number of personnel and an increase in security and cleaning costs, and to a lesser extent, because of (a) an increased depreciation charge of Ps. 0.6 million, (b) an increase in maintenance and repair costs of Ps. 0.2 million, that enable IRSA to make changes to the areas to be leased, and (c) an increase in condominium expenses not recovered of Ps. 0.1 million because of the decision not to pass on the total amount of the increase in shared expenses to IRSA s tenants; and (ii) a 43.6% increase in costs from the credit card operation, due to the expansion that took place during the year, which included increasing personnel in the customer and store service departments and adapting the telephone assistance centers to new customer volumes.

Hotels. Costs from hotel operations increased by 27.7%, from Ps. 31.4 million during the fiscal year ended June 30, 2003 to Ps. 40.0 million during the fiscal year ended June 30, 2004, primarily due to an increase of Ps. 2.8 million in salaries due to an increase in the staff of the hotels; (ii) an increase of Ps. 2.8 million in maintenance expenses and (iii) an increase of Ps. 1.5 million in direct costs such as food and beverages. Costs of hotels are primarily composed of depreciation, food and beverages, salaries and social security contributions. Costs relating to hotel operations as a percentage of revenues from the segment increased from 54.3% during the fiscal year ended June 30, 2003 to 56.2% during the fiscal year ended June 30, 2004.

Financial operations and Others. Costs from Financial operations and others segment increased by 36.2% from Ps. 0.6 for the fiscal year ended June 30, 2003 to Ps. 0.8 million for the fiscal year ended June 30, 2004. Costs included in this line represent expenses incurred in the rendering of services that generate revenues.

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Gross Profit

As a result of the foregoing, gross profit increased by 38.6%, from Ps. 81.8 million during the fiscal year ended June 30, 2003 to Ps 113.4 million during the fiscal year ended June 30, 2004.

Selling Expenses

Selling expenses decreased by 23.0%, from Ps. 28.6 million during the fiscal year ended June 30, 2003 to Ps. 22.0 million during the fiscal year ended June 30, 2004, primarily due to the net effect of (i) a decrease in selling expenses in Development and Sale of Properties and Offices and other Non-shopping center leased properties of Ps. 0.1 million and (ii) a decrease in selling expenses of Shopping Centers and Hotels of Ps. 6.5 million. Selling expenses as a percentage of revenues decreased from 12.1% during the fiscal year ended June 30, 2003, to 8.4% during the fiscal year ended June 30, 2004.

Development and Sale of Properties. Selling expenses from Development and Sale of Properties decreased by 1.6%, from Ps. 4.0 million during the fiscal year ended June 30, 2003 to Ps. 4.0 million during the fiscal year ended June 30, 2004, due to the decrease in sales during this fiscal year, which generated less direct selling expenses. The main components of selling expenses of Development and Sale of Properties are commissions and expenses from sales, advertising and gross sales tax.

Offices and other Non-shopping center leased properties. Selling expenses relating to Offices and other Non-shopping center leased properties decreased by 32.5%, from Ps. 0.1 million during the fiscal year ended June 30, 2003 to Ps. 0.05 million during the fiscal year ended June 30, 2004.

Shopping Centers. Selling expenses relating to Shopping Centers decreased by 44.1%, from Ps. 17.6 million during the fiscal year ended June 30, 2003 to Ps. 9.8 million during the fiscal year ended June 30, 2004. This decrease was mainly due to a 73.2% decrease in the allowance for doubtful accounts, from Ps. 5.6 million during fiscal year 2003 to 1.5 million during fiscal year 2004, as a consequence of the improvement during the year in the collection activities carried out by IRSA s shopping centers which was partly offset by (i) a 36% increase in gross sales tax, from Ps. 4.4 million during the fiscal year ended June 30, 2003 to Ps. 6.0 million during 2004, due to a similar increase in IRSA s revenues, (ii) a 106.8% increase in advertising expenses, from Ps. 1.3 million in fiscal year 2003 to Ps. 2.6 million in fiscal year 2004, and (iii) an 80 % increase in the cost of personnel, from Ps. 1.2 million during fiscal year 2003 to Ps. 2.2 million during fiscal year 2004.

Hotels. Selling expenses relating to Hotel operations increased by 18.8%, from Ps. 6.9 million during fiscal year 2003 to Ps. 8.2 million during fiscal year 2004, mainly due to an increase in advertising expenses and an increase in the gross sales tax as a consequence of an increase in revenues.

Administrative Expenses

Administrative expenses increased by 11.2%, from Ps. 45.2 million during the fiscal year 2003 to Ps. 50.2 million during the fiscal year 2004, due to an increase in administrative expenses relating to all IRSA s business units due to (i) an increase of Ps. 2.8 million in salaries and (ii) an increase of Ps. 1.5 million in fees and payments for services, except for Offices and other Non-shopping center leased properties which showed a slight decrease. The main components of administrative expenses are salaries, social security, fees, compensation for services, depreciation and amortization.

Development and Sale of Properties. The administrative expenses from Development and Sale of Properties increased by 9.5%, from Ps. 6.1 million during the fiscal year ended June 30, 2003 to Ps. 6.7

million for the fiscal year ended June 30, 2004. This variation was primarily due to (i) a Ps. 1.0 million increase in salary, social security, and depreciation, and (ii) a Ps. 0.4. million decrease in Directors fees. Administrative expenses of Development and Sale of Properties as a percentage of revenues from this segment increased from 12.9% during the fiscal year ended June 30, 2003 to 21.5% during the fiscal year ended June 30, 2004.

Offices and other Non-shopping center leased properties. Administrative expenses from Offices and other Non-shopping center leased properties decreased by 1.8%, from Ps. 4.4 million during the fiscal year ended June 30, 2003 to Ps. 4.3 million during the fiscal year ended June 30, 2004. This decrease of Ps. 0.1 million was due to (i) Ps. 1.1 million increase in salary; (ii) a Ps. 0.5 million decrease in Directors fees and (iii) a Ps. 0.5 million decrease in fees allocated to this segment.

Shopping Centers. Administrative expenses of Shopping Centers increased by 10.5%, from Ps. 21.4 million during the fiscal year ended June 30, 2003 to Ps. 23.6 million during the fiscal year ended June 30, 2004, primarily due to increases in salary, bonuses, social security contributions, fees and payments for services and taxes.

Hotels. Administrative expenses of Hotels increased by 17.2%, from Ps. 13.3 million for the fiscal year ended June 30, 2003 to Ps. 15.6 million during the fiscal year ended June 30, 2004, primarily due to the Ps. 1.2 million increase attributable to Hotel Llao Llao as a result of the increase in taxes, services and salaries, and the Ps. 0.9 million increase attributable to Sheraton Libertador, as a result of the increase in fees and services. Administrative expenses of Hotels as a percentage of revenues from hotel operations decreased from 23.1% during the fiscal year ended June 30, 2003 to 21.9% during the fiscal year ended June 30, 2004.

Gain on Purchasers Rescissions of Sales Contracts

This line showed a 100% decrease from Ps. 0.009 million during fiscal year 2003 to zero during fiscal year 2004. The 2003 gain relates to the rescission of Torres de Abasto sales contracts.

Gain (Loss) in Credit Card Trust

The results of IRSA s participation in the Credit Card Trusts increased, from a loss of Ps. 4.1 million during fiscal year 2003 to a gain of Ps. 0.3 million during fiscal year 2004.

Gain from Operations and Holdings of Real Estate Assets, net

Gain from Operations and Holdings of Real Estate Assets, net, increased by Ps. 41.6 million, from Ps. 21.5 million for the fiscal year ended June 30, 2003 to Ps. 63.1 million for the fiscal year ended June 30, 2004. The increase was mainly due to the net impact of (i) the Ps. 64.3 million gain attributed to the net recovery of the allowance for the impairment of real estate during fiscal year 2004 in comparison to the Ps. 11.4 million gain recorded in fiscal year 2003 and (ii) the non-recurring gain on the sale of stock in Valle de Las Leñas of Ps. 10.0 million

Operating Income

As a result of the foregoing, Operating Income increased from Ps. 25.5 million during the fiscal year ended June 30, 2003 to Ps. 104.6 million during fiscal year 2004.

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Development and Sale of Properties. Operating results from Development and Sale of Properties decreased by 72.9%, from a profit of Ps. 2.9 million during the fiscal year ended June 30, 2003 to a profit of Ps. 0.7 million for the fiscal year ended June 30, 2004.

Offices and other Non-shopping center leased properties. Operating results from Offices and other Non-shopping center leased properties increased from a profit of Ps. 2.3 million during the fiscal year ended June 30, 2003 to a profit of Ps. 30.2 million for fiscal year 2004.

Shopping Centers. Operating results from Shopping Centers increased from a profit of Ps. 14.2 million during fiscal year 2003 to a profit of Ps. 63.4 million during fiscal year 2004.

Hotels. Operating results from Hotels increased 64.2%, from a profit of Ps. 6.1 million during fiscal year 2003 to a profit of Ps. 10.2 million during fiscal year 2004.

Financial operations and Others. Operating income from Financial operations and Others segment increased from a gain of Ps. 0.04 million for the year ended June 30, 2003 to a gain of Ps. 0.06 million for the fiscal year ended June 30, 2004.

Amortization of Goodwill

The loss reported under this heading mainly includes (i) the amortization of goodwill stemming from the acquisition of APSA subsidiaries: SAPSA, Fibesa and Tarshop S.A., and (ii) the amortization of the negative goodwill from the purchase of stock in APSA during the current fiscal year. The amortization of goodwill decreased by 56.2%, from a loss of Ps. 6.6 million during fiscal year 2003 to a loss of Ps. 2.9 million during fiscal year 2004 due to the positive amortization of negative goodwill mentioned before.

Financial Results, net

Financial results, net decreased by Ps. 303.7 million, from a gain of Ps. 315.3 million during the fiscal year ended June 30, 2003 to a gain of Ps. 11.6 million during the fiscal year ended June 30, 2004. This variation was due to (i) a Ps. 201.7 million decrease in exchange differences with regard to the previous year, owing to the depreciation of the Peso against the U.S. Dollar from 2.80 in 2003 to 2.958 in 2004, (ii) the Ps. 39.1 million loss on the financing of assets compared to the previous year, mainly due to the drop in the results generated by APSA and as a result of exchange differences and derivatives as caused by the 5.6 % depreciation of the Peso with respect to the Dollar (in 2003 the value of the currency had a reverse behavior, appreciating by 26%). This depreciation negatively affected the value of the interest rate swap; (iii) the drop in the discounts obtained during fiscal year 2004, which amounted to Ps. 7.2 million, on the purchase of loans with HSBC abroad, compared with the previous year in which the discounts obtained had amounted to Ps. 36.9 million through the prepayment of the debt to GSEM for approximately Ps. 26.0 million and from the accounting measurement as of June 30, 2004 of the debt to HSBC as compared with the amount settled subsequent to the financial closing date, which generated a discount of Ps. 10.7 million according to Argentine GAAP; (iv) the Ps. 32.1 million gain obtained during fiscal year 2003 as a result of the adjustment made to IRSA s liabilities to fair market value at the established 8% annual market rate, changing the value of these debts which previously had a book value calculated at the rate in force at the time of refinancing; and (v) a Ps. 5.0 million decrease in financing expenses resulting from the repurchase of the loans with HSBC banks and the conversions made by holders of IRSA s Convertible Notes.

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Equity (Loss) Gain from Related Companies

The net results derived from affiliated companies increased by Ps. 41.4 million, from a loss of Ps. 14.7 million during the fiscal year ended June 30, 2003 to a gain of Ps. 26.7 million during the fiscal year ended June 30, 2004. This increase was mainly due to (i) the gain of Ps. 30.1 million recorded in the fiscal year 2004 as a result of the change in the valuation criterion applied to *Banco Hipotecario* from net realization value to proportional equity value, and (ii) a lower loss of Ps. 11.0 million from IRSA s investments in Alto Palermo, Pérez Cuesta and E-Commerce Latina, which decreased from a Ps. 12.1 million loss during fiscal year 2003 to a Ps. 1.1 million loss during fiscal year 2004.

Other Expenses, net

Other Expenses, net increased Ps. 12.7 million, from a loss of Ps. 0.9 million during the fiscal year ended June 30, 2003 to a loss of Ps. 13.6 million during the fiscal year ended June 30, 2004, primarily due to the net fluctuation generated by (i) the non-recurrence of the Ps. 13.0 million gain recorded in 2003 from the repurchase of APSA Notes and Senior Notes in the open market; (ii) the loss related to tax on personal assets of shareholders recorded in 2004 of Ps. 4.1 million (this tax regime did not exist in 2003); (iii) a lower charge of donations of Ps. 3.2 million as compared to fiscal year 2003; (iv) a non-recurring loss of Ps. 2.1 million related to gross sales tax recorded in fiscal year 2004, and (v) a decrease in the charge for contingencies of Ps. 2.3 million as compared to fiscal year 2003.

Income before Minority Interest and Taxes

As a result of the foregoing, Income before Minority Interest and Taxes decreased from Ps. 318.6 million during the fiscal year ended June 30, 2003 to Ps. 126.4 million during fiscal year 2004.

Minority Interest

Minority Interest decreased by 64%, from a Ps. 35.7 million loss during fiscal year 2003 to a Ps. 12.8 million loss during fiscal year 2004, mainly due to (i) the reduction in IRSA s minority interest in Alto Palermo and the interests held by Alto Palermo in its subsidiaries, which decreased from a Ps. 35.2 million loss during the fiscal year ended June 30, 2003 to a Ps. 9.2 million loss during the year ended June 30, 2004 and (ii) the reduction in IRSA s minority interests in Palermo Invest, which decreased from a Ps. 3.7 million gain during fiscal year 2003 to a Ps. 0.8 million loss during fiscal year 2004.

Income Tax and Asset Tax

Income Tax and Asset Tax decreased by Ps. 29.2 million, from a Ps. 3.5 million benefit during the fiscal year ended June 30, 2003, to a Ps. 25.7 million expense during the fiscal year ended June 30, 2004. The Ps. 29.2 million change was mainly due to the net impact of (i) the difference in the income tax charge corresponding to IRSA which represented an expense of Ps. 52.6 million, from a Ps. 48.9 million benefit corresponding to fiscal year 2003 to a Ps. 3.7 million expense during fiscal year 2004 (ii) the Ps. 30.5 million variation in the income tax charge for Alto Palermo, from a Ps. 46.8 million expense during the fiscal year ended June 30, 2003 to a Ps. 16.2 million expense during the fiscal year ended June 30, 2004 and (iii) the Ps. 4.3 million (expense) variation in the income tax charge for Llao Llao Resort S.A. between both fiscal years. The effective tax rates for fiscal years 2004 and 2003 were 20% and 1%, respectively. These effective rates differ from the statutory tax rate mainly due to non-deductibe amortization and depreciation charges originated by inflation accounting and the inventories´ costs considering that it have been adjusted by inflation in accordance with accounting principles. IRSA record income taxes using the deferred tax method. Accordingly, deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. IRSA has treated the differences between the price-level restated amounts of assets and liabilities and their historical basis as permanent differences for deferred income tax calculation purposes as prescribed by Argentine GAAP.

Net income for the year

As a result of the foregoing, net income for the year decreased from a profit of Ps. 286.4 million during the fiscal year ended June 30, 2003, to a profit of Ps. 87.9 million during the fiscal year ended June 30, 2004.

IRSA s Liquidity and Capital Resources

IRSA s liquidity and capital resources include its cash and cash equivalents, proceeds from bank borrowing and long-term debt, capital financing and sales of real estate investments.

As of June 30 2005, IRSA had a working capital of Ps. 78.8 million. At the same date, IRSA had cash and cash equivalents totaling Ps. 142.6 million, an increase of 16.0 % from Ps. 122.9 million of cash and cash equivalents held as of June 30, 2004.

IRSA s operating activities resulted in net cash inflows of Ps. 93.5 million, Ps. 74.7 million and Ps. 93.9 million for fiscal years 2005, 2004 and 2003, respectively. The operating cash inflows for fiscal year 2005 primarily resulted from operating gains of Ps. 127.2 million, an increase in customer advances, salaries and social security payable and taxes payable of Ps. 12.0 million, and an increase in trade accounts payable of Ps. 21.0 million, partially offset by an increase in mortgages and leases receivables for Ps. 49.2 million and a decrease in other liabilities of Ps. 17.7 million. The operating cash inflows for fiscal year 2004 primarily resulted from operating gains of Ps. 90.6 million and an increase in trade accounts payable of Ps. 14.4 million, partially offset by a decrease in other liabilities of Ps. 24.6 million. The operating cash inflows for fiscal year 2003 primarily resulted from operating gains of Ps. 16.4 million, an increase in accrued interest of Ps. 56.5 million and a decrease in inventories of Ps. 35.3 million, partially offset by an increase in mortgages and leases receivables of Ps. 9.2 million.

IRSA s investing activities resulted in net cash outflows of Ps. 126.7 million, Ps. 97.2 million and Ps. 40.6 million for fiscal years 2005, 2004 and 2003, respectively. In fiscal year 2005 IRSA made investments in fixed assets of Ps. 79.3 million, primarily as a result of (i) the development of Alto Rosario Shopping and improvements made in other shopping centers totaling Ps. 50.9 million, and (ii) the parcial payment for the acquisition of Bouchard 710 building for Ps. 20.4 million. In fiscal year 2005 IRSA invested Ps. 35.0 million in the acquisition of additional shares and convertible notes of APSA and in the partial payment for the acquisition of the additional 49.9% of Mendoza Plaza Shopping. IRSA also made a payment of US$ 4 million (Ps. 11.7 million) in connection with a contract entered into with CSFB in June 2005, pursuant to which IRSA is committed to acquire in specific circumstances a loan with a mortgage guarantee on an office building in the City of Buenos Aires for US$ 10.0 million. In fiscal year 2004 IRSA made a net investment of Ps. 70.3 million in shares of Banco Hipotecario and IRSA also invested in fixed assets for Ps. 26.4 million primarily in connection with the development of Alto Rosario Shopping. In fiscal year 2003 IRSA made investments in its subsidiaries for Ps. 31.7 million (primarily in APSA) and in fixed assets for Ps. 10.8 million.

IRSA s financing activities resulted in net cash inflows (outflows) of Ps. 52.9 million, Ps. (47.6) million and Ps. 109.4 million for fiscal years 2005, 2004 and 2003, respectively. IRSA s net cash provided by financing activities for fiscal year 2005 was due to the issuance of common stock as a result of the exercise of warrants of Ps. 105.7 million, proceeds from issuance of short-term and long-term debt totaling Ps.

117.2 million and proceeds from the settlement of the swap agreement for Ps. 15.8 million, partially offset by the payment of short-term and long-term debt for Ps. 167.3 million, the payment of dividends by IRSA s subsidiaries to minority shareholders totaling Ps. 10.3 million, the settlement of debt owed to minority shareholders for Ps. 2.5 million and the payment of Ps. 5.8 million to CSFB as guarantee of the debt owed by IRSA s subsidiary Hoteles Argentinos S.A.. IRSA s cash used in financing activities for fiscal year 2004 was primarily due to the payment of short-term and long-term debt, and seller financing totaling Ps. 67.8 million and the payment of dividends by its subsidiaries to minority shareholders of Ps. 4.9 million, partially offset by the proceeds from the issuance of common stock as a result of the exercise of warrants for Ps. 24.8 million. IRSA s net cash provided by financing activities for fiscal year 2003 was primarily due to the proceeds from issuance of short-term and long-term debt of Ps. 397.3 million, partially offset by the payment of short-term and long-term debt, seller financing and mortgages payable totaling Ps. 281.7 million.

IRSA believes its assets have potential for growth. IRSA s level of indebtedness, most of which is long-term, and the cash proceeds from the exercise of warrants attached to its Convertible Notes, place us in a good position to finance new projects and seek expansion opportunities.

IRSA s indebtedness

IRSA s total outstanding debt as of June 30, 2005, amounted to Ps. 483.7 million, as compared to the Ps. 603.9 million as of June 30, 2004. This decrease is attributed to the conversion of IRSA s and APSA s Convertible Notes for US$ 29.0 million and US$ 1.8 million respectively and to several debt buybacks and reductions conducted during the year, as described below.

Pursuant to Decree No. 214/02, part of IRSA s indebtedness was pesified, although a large portion, governed by foreign laws, continued to be U.S. Dollar-denominated. Pesified indebtedness is to be adjusted by the CER index.

On May 24, 2000, IRSA entered into a US$ 80.0 million Syndicated Loan Agreement (the Syndicated Loan Agreement) arranged by Bank Boston N.A. Loans under this Syndicated Loan Agreement bear interest at three-month LIBOR plus a margin of 500 basis points.

Amounts owing under the Syndicated Loan Agreement were payable in U.S. Dollars. Although final maturity on the loan agreement was on August 30, 2002, due to the continuing effects of economic recession, the unavailability of financing sources and the succession of recent governmental measures adversely affecting the normal operations of the banking and payments system, IRSA could not make the scheduled payment on that date. As explained below, IRSA renegotiated this Syndicated Loan Agreement under new conditions.

On December 18, 2000, IRSA issued US$ 43.5 million unsecured Class 2 Floating Rate Notes due December 24, 2001 (the Class 2 Floating Rate Notes). Proceeds from this issuance were used to repay certain outstanding short-term indebtedness. IRSA s Class 2 Floating Rate Notes matured in December 2001, and IRSA was unable to pay the principal then due. As a result of such non-payment, in December 2001, IRSA entered into negotiations with the holders of its Class 2 Floating Rate Notes and on February 8, 2002, IRSA agreed with its holders to replace the Class 2 floating interest rate for an annual fixed interest rate of 12%. Pursuant to a new deferral, granted on October 31, 2002, the principal of and interest on IRSA s Class 2 Floating Rate Notes were due in full on November 14, 2002 and were further renegotiated as explained below. IRSA also agreed with its holders on a capitalization of the interest due on October 31, 2002. On May 15, 2002, IRSA had repurchased from Banco Sudameris its participation in the mentioned Class 2 Floating Rate Notes of US$ 6.8 million.

On November 15, 2002, IRSA signed a Framework Refinancing Agreement (the Framework Refinancing Agreement) to refinance the Syndicated Loan Agreement of US$ 80.0 million and the Class 2 Floating Rate Notes amounting, at that time, to US$ 37.0 million through the following schedule:

US$ 13.6 million were paid in cash, reducing the principal;

US$ 15.0 million were exchanged for Convertible Notes at a rate of 8% and maturing in the year 2007;

US$ 37.4 million in Series 03 Secured Notes due 2009 with a 90-day LIBOR plus 200 base points and maturing in the year 2009. These notes are secured by a first mortgage drawn out on some of IRSA s properties for an amount equivalent to 50% of the debt; and

US$ 51.0 million Unsecured Loan Agreement (the Unsecured Loan Agreement) expiring in the year 2009. 69% of this loan accrues interest at a ninety-day LIBOR plus 200 base points, whereas the remainder accrues interest at a phased fixed rate starting at 5.5% and reaching 6.5%.

The offer of Convertible Notes into ordinary shares was successfully completed on November 21, 2002, for a total amount of US$ 100 million. These notes are accompanied by a warrant that offers the option to purchase additional shares. The subscription price was 100% of the face value of the Convertible Notes, which accrue interest at an annual 8% payable semiannually and maturing in November 2007. The conversion price is US$ 0.5450 per ordinary share, in other words each note may be converted into 1.8349 ordinary shares. The funds generated by the issue were mainly allocated to the settlement and restructuring of the liabilities existent at the date, and to finance IRSA s working capital and for other general corporate purposes.

Due to the distribution of 4,587,285 treasury shares, IRSA has adjusted the conversion price of its Convertible Notes according to the subscription clauses. The conversion price of the Convertible Notes decreased from US$ 0.5571 to US$ 0.5450 and the warrants price went from US$ 0.6686 to US$ 0.6541. Such adjustment was effective as from December 20, 2002.

During fiscal years 2003, 2004 and 2005, certain holders of IRSA s Convertible Notes for a total amount of US$ 41.5 million exercised their conversion rights and, as a result, IRSA issued 12,531 shares, 23,734,388 shares and 52,448,952 shares of common stock, respectively. At June 30, 2005 the outstanding balance of IRSA s Convertible Notes amounted to US$ 58.5 million. Subsequent to 2005 fiscal year-end, IRSA issued 2,738,039 shares as a result of the conversion of US$ 1,492,234 of its Convertible Notes. As of November 30, 2005 the outstanding balance of IRSA s Convertible Notes amounts to US$ 57.0 million.

In addition, during fiscal years 2004 and 2005, IRSA issued 13.1 million shares and 56.0 million shares of common stock in exchange for US$ 8.5 million and US$ 36.6 million in cash, respectively, as a result of the exercise of warrants. At November 30, 2005 the number of outstanding warrants amounts to 57.8 million.

On December 4, 2002, IRSA paid off its debt with GSEM/AP Holdings, L.P. (Goldman Sachs) which amounted to US$ 16.3 million including the principal and accrued interest, with a total payment of US$ 11.1 million.

On July 25, 2003, IRSA made a prepayment to HSBC Bank Argentina S.A. of US$ 16 million under the US$ 51.0 million Unsecured Loan Agreement whose final expiration is in November 2009. This transaction involved a payment of US$ 10.9 million, representing 68% of the face value of the debt and a discount of US$ 5.1 million.

On March 17, 2004 IRSA repurchased from HSBC Bank London Plc. US$ 12 million under the US$ 51 million Unsecured Loan Agreement, maturing in November 2009. The transaction value totaled US$ 8.6 million, was at a discount of 28%, and resulted in a US$ 3.4 million discount.

On October 24, 2005, IRSA issued an offer for repurchasing its debt for up to 85% of IRSA s outstanding nominal amount. The offer is addressed to all the holders of IRSA s Series 03 Secured Notes and Syndicated Loan. The deadline for effective payment was November 21, 2005, but none of the holders accepted IRSA s repurchasing offer.

In January 2001, IRSA s subsidiary Hoteles Argentinos S.A., holder of 100% of the Hotel Sheraton Libertador, obtained a loan of US$ 12.0 million from BankBoston N.A. Subsequently, Bank Boston N.A sold this loan to Marathon Master Fund Ltd. This loan expires in January 2006 and accrues a quarterly interest at the LIBOR plus a markup ranging between 401 and 476 basis points, according to the value of certain financial indicators. This loan was not converted to Pesos and is stated in U.S. Dollars because it is governed by the laws of the State of New York. There are currently installments of the principal and interest that are overdue and unpaid. This loan is with no recourse to us. On December 16, 2004, IRSA s wholly-owned subsidiary Ritelco S.A. acquired 100% of the debt Hoteles Argentinos had with Marathon Master Fund, Ltd. Ritelco S.A. paid a total amount of US$ 8.0 million.

On March 23, 2005 Ritelco S.A. sold to CSFB the loan agreement for US$ 8 million in cash and IRSA entered into an agreement with CSFB pursuant to which, among other things, IRSA guarantees the payment of the debt owed by Hoteles Argentinos S.A. once the debt is restructured and in the event of non-compliance IRSA shall repurchase the loan agreement for US$ 8.0 million. As guarantee for this transaction, IRSA made a payment of US$ 2.0 million to CSFB which is disclosed as a collateral deposit within Other receivables and prepaid expenses, net in IRSA s consolidated balance sheet. In connection with the restructuring process being carrying out, Hoteles Argentinos S.A. must present a restructuring plan of the collateralized loan prior to March 15, 2006. The debt owed by Hoteles Argentinos S.A. has been valued at US$ 8.0 million in IRSA s consolidated balance sheet.

On June 2, 2005 IRSA entered into an agreement with CSFB pursuant to which IRSA is committed to acquire from CSFB in specific circumstances a loan with a mortgage guarantee on an office building in the City of Buenos Aires for US$ 10.0 million. IRSA made a payment of US$ 4 million in connection with this contract. The loan has a nominal value of US$ 12.8 million and CSFB is actually the creditor.

On June 16, 2005 IRSA entered into an interest rate swap agreement with Deutsche Bank AG maturing in November 2009 to effectively convert its Uncollateralized Loan Agreement and Floating Rate Notes to fixed rate debt. The Uncollateralized Loan Agreement and the Floating Rate Notes accrue interest at LIBOR plus 2%. Pursuant to this agreement, IRSA will pay interest at a fixed rate of 4.27% and collect interest at LIBOR. As a result of this agreement, IRSA had fixed the interest rate of the Uncollateralized Loan Agreement and the Floating Rate Notes at 6.27%. However, on October 24, 2005 IRSA canceled the swap agreement, receiving US$ 0.4 million representing the fair market value of the swap at the termination date.

Complying with the payment schedule established in the Standard Agreement entered into in November 2002, during the current year the capital installments of the financial debt started to be paid.

With respect to Floating Rate Notes for US$ 37.4 million and the Unsecured Loan Agreement, two capital installments for US$ 0.93 million and US$ 0.58 million respectively each, were paid in February and May, 2005.

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The following table sets forth IRSA s outstanding debt as of June 30, 2005 (excluding APSA):

IRSA Debt	Ps. (million)(1)	Principal (US$ MM)	Interest Rate	Maturity
Unsecured Loan Agreement	63.2	21.9(2)	LIBOR + 200 bps	November 2009
Series 03 Secured Notes due 2009	102.5	35.5(2)	LIBOR + 200 bps	November 2009
Hoteles Argentinos Loan	23.1	8.0	LIBOR + 500 bps	June 2013
Total Debt	**188.8**	**65.4**		
ONC	**168.9**	**58.5**	8%	November 2007

(1) Accrued interest is not included.

(2) As required by RT 17 for an exchange of debt with substantially different terms, IRSA originally recorded the issuance of these debts on a discounted basis considering an 8% market interest rate. At June 30, 2005 and for accounting purposes, the carrying value of these debts is as follows: Unsecured Loan Agreement US$ 19.1 million and Floating Rate Notes US$ 31.1 million.

APSA s Indebtedness

On January 18, 2001, APSA issued US$ 120.0 million of secured Senior Notes (the Senior Notes) due on January 13, 2005 in three classes: (i) US$ 40.0 million of Class A-2 notes due January 13, 2005, at a corrected Badlar interest rate plus 395 basis points; (ii) US$ 5.0 million of Class B-1 notes, which APSA issued together with APSA s wholly-owned subsidiary SAPSA, and which are due on January 13, 2005, at a 90-day LIBOR plus 475 basis points, and (iii) US$ 75.0 million of Class B-2 notes, which APSA issued together with SAPSA, maturing at various dates through January 13, 2005, at a corrected Badlar rate plus 395 basis points. The proceeds from this issuance were used to repay financial indebtedness, including outstanding mortgage-collateralized borrowings and other short-term debts. The proceeds from the issuance of the Senior Notes were used to repay financial indebtedness, including outstanding mortgage-collateralized borrowings and other short-term debts. Pursuant to Decree N° 214, debts in U.S. dollars in the Argentine financial system were converted to pesos at the rate of exchange of Ps. 1 per US$ 1 and adjusted based on the *Coeficiente de Estabilización de Referencia* (CER). In addition, a fixed interest rate between 6% and 8% was established by the Argentine Central Bank for debts converted to pesos. By June 30, 2005 APSA had fully paid the Senior Notes. During fiscal years 2001, 2002, 2003, 2004 and 2005 APSA repurchased and/or made principal payments at their maturity amounting to Ps. 2.5 million, Ps. 11.3 million, Ps. 85.4 million, Ps. 3.3 million and Ps. 17.5 million, respectively. The Senior Notes were collateralized by a pledge on the shares of APSA s subsidiary SAPSA and included various restrictive covenants, which among other things required APSA to maintain certain financial ratios.

On April 7, 2000, APSA issued Ps. 85.0 million 14.875% unsecured notes due April 7, 2005 (the Notes). Proceeds from this issuance were used to repay outstanding bridge financing. The Notes included various restrictive covenants, which among other things required APSA to maintain certain financial ratios. During the years ended June 30, 2001, 2002, 2003 and 2005, APSA redeemed Ps. 18.1 million, Ps. 15.5 million, Ps. 1.8 million and Ps. 1.2 million of the Notes, respectively, at different prices below par plus accrued interest. On April 7, 2005 APSA paid the balance of the Notes amounting to Ps. 48.4 million.

In order to cancel the balance of the Notes, on April 5, 2005 APSA tookout a syndicated loan for Ps. 50 million with Banco Rio de la Plata and Bank Boston N.A. This loan will be amortized in four equal and consecutive semiannual installments of Ps. 12.5 million beginning October 5, 2005. The syndicated loan accrues interest at a fixed rate of 7.875% during the first year and will accrue interest at a variable rate (Encuesta) plus 3% during the second year. The terms and conditions of the syndicated loan include various restrictive covenants, which among other things require us to maintain certain financial ratios. As of June 30, 2005 APSA amply met APSA s financial covenants. On July 5, 2005 APSA paid the first interest installment of this loan.

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In connection with the issuance of the Notes, APSA entered into an interest rate swap agreement with Morgan Guaranty Trust to reduce the related financing costs of the Notes. Pursuant to this agreement APSA had converted APSA s peso-denominated fixed-rate debt (Notes) to peso-denominated floating-rate debt. This swap agreement initially allowed APSA to reduce the net cost of APSA s debt. However, subsequent to June 30, 2001, APSA modified the swap agreement due to an increase in interest rates as a result of the economic situation prevailing at that moment in Argentina. Under the terms of the revised agreement, APSA converted APSA s peso-denominated fixed rate debt (Notes) to U.S. dollar-denominated floating rate debt for a notional amount of US$ 69.1 million with maturities through April 2005. As collateral for the revised agreement, APSA was required to make a deposit of US$ 50.0 million with the counterparty. As a result of the devaluation of the Argentine peso, APSA recorded net losses totalling US$ 45.0 million in connection with the swap agreement. On April 1, 2005, the swap agreement became due and as a result APSA collected US$ 5.5 million in cash (including US$ 0.5 million of interest on the collateral deposit). This amount represents the net amount of the collateral deposit (including interest) and the amount payable for the swap agreement at its maturity.

In order to finance the US$ 50 million collateral deposit and the subsequent transactions related to the swap, APSA entered into loan agreements with IRSA and Parque Arauco. As of June 30, 2002 APSA s debt with IRSA and Parque Arauco under those loan agreements amounted to Ps. 45.6 million and Ps. 22.9 million respectively. In addition, between May and July 2002, IRSA and Parque Arauco granted to APSA loans for US$ 10.1 million and US$ 4.9 million respectively. The annual interest rate for such loans was 10%. The funds obtained under these loans have been used to fully cancel APSA s short-term bank debt for the total amount of Ps. 43.8 million plus the accrued CER adjustment. On February 17, 2003, APSA entered into a repurchase agreement (the Repurchase Agreement) with IRSA and Parque Arauco in which each company granted to APSA loans for Ps. 4.2 million and Ps. 2.1 million, respectively. According to the Repurchase Agreement, APSA made a collateral deposit of Ps. 15.5 million Senior Notes with IRSA and other of Ps. 7.8 million Senior Notes with Parque Arauco. On November 5, 2004, APSA agreed to repurchase on January 7, 2005 the securities at a price of Ps. 5.1 million and Ps. 2.6 million from IRSA and Parque Arauco, respectively. The amounts APSA owed under the loans which were granted to APSA from IRSA and Parque Arauco, were used by IRSA and Parque Arauco to partially subscribe APSA s offering of US$ 50.0 million Convertible Notes on August 20, 2002 (the Convertible Notes). IRSA and Parque Arauco subscribed for US$ 27.2 million and US$ 15.2 million respectively of APSA s Convertible Notes.

On August 20, 2002 APSA issued US$ 50 million of uncollateralized Convertible Notes (the Convertible Notes) in exchange for cash and the settlement of certain liabilities with APSA s shareholders. Raymond James Argentina Sociedad de Bolsa S.A. acted as subscription and placement agent and the offer was subscribed in full. Proceeds from the issuance of Convertible Notes were used to repay short-term bank loans for Ps. 27.3 million and for the redemption of the Senior Notes for a principal amount of Ps. 52.8 million. The Convertible Notes mature on July 19, 2006, accrue interest (payable semiannually) at a fixed annual rate of 10% and are convertible, at any time at the option of the holder, into common shares of Ps. 0.10 par value per share. The conversion rate per U.S. dollar is the lesser of 30.8642 and the result obtained from dividing the exchange rate in effect at the conversion date by the par value of APSA s common shares. During fiscal years 2005 and 2004, holders of approximately US$ 2.72 million of APSA s Convertible Notes exercised their conversion rights and, as a result, APSA issued 52,741,380 and 22,852,510 common shares, respectively. By November 30, 2005 the outstanding balance of APSA s Convertible Notes amounted to US$ 47.3 million. In the event all the bondholders exercise their conversion rights, APSA s common shares would increase from 780.4 million (Ps. 78.0 million) to 2,239.7 million (Ps. 224.0 million).

On September 29, 2004, APSA entered into a purchase agreement pursuant to which APSA acquired an additional 49.9% ownership interest in Mendoza Plaza Shopping (formerly Pérez Cuesta S.A.C.I.) for US$ 5.3 million. The Company paid US$ 1.77 million on December 2, 2004 and the remaining balance will be paid in two equal annual installments of US$ 1.77 million each beginning on

September 29, 2005. APSA also entered into the following contracts in connection with debt owed by Mendoza Plaza Shopping:

Put option with Banco de Chile S.A. (Banco de Chile), whereby Banco de Chile was entitled, although not obliged, to assign to APSA two defaulted credit agreements amounting to US$ 18 million originally granted to Mendoza Plaza Shopping. As a result of the economic measures issued in Argentina in 2002, these financial agreements had been converted into Argentine pesos at the exchange rate of Ps. 1.0 per US Dollar and indexed based on the reference stabilization index (CER). On March 30, 2005 Banco de Chile executed the put option, transferring all the rights of the above mentioned credit facilities to APSA in exchange for US$ 8.5 million (Ps. 24.8 million).

Call option with HSBC Bank Argentina S.A., whereby APSA was entitled, although not obliged, to acquire, and HSBC Bank Argentina S.A. was obliged to transfer, a defaulted loan agreement originally granted to Mendoza Plaza Shopping amounting to US$ 7.0 million. As a result of the economic measures issued in Argentina in 2002, this financial agreement had been converted into Argentine pesos at the exchange rate of Ps. 1.0 per US Dollar and indexed by the reference stabilization index (CER). On March 29, 2005 APSA transferred the purchase option to Mendoza Plaza Shopping, which exercised the option paying Ps. 6.8 million for the settlement of the loan (corresponding to the exercise price of Ps. 7.2 million net of rental fees collected by HSBC Bank Argentina S.A. as guarantee amounting to Ps. 0.4 million). This cash payment was funded through a loan granted by APSA.

APSA also entered into an agreement with Inversiones Falabella Argentina S.A. (Falabella), the remaining minority shareholder of Mendoza Plaza Shopping, pursuant to which, among other things, Falabella has the irrevocable right to sell to APSA (put option) its ownership interest in Mendoza Plaza Shopping for a total consideration of US$ 3.0 million. The put option can be exercised until the last business day of October 2008. At the date of issuance of this annual report, Falabella has not exercised the put option.

On May 31, 2005 the shareholders of Mendoza Plaza Shopping approved the conversion of debt owed to APSA totaling Ps. 36.1 million into common shares. As a result of this transaction, APSA increased APSA s ownership interest in Mendoza Plaza Shopping from 68.8% to 85.4%.

On March 4, 2005 Deutsche Bank S.A. granted APSA an US$ 11 million loan, of which US$ 5 million were repaid by the Company on April 4, 2005 with proceeds received in connection with the settlement of the swap agreement. The balance of the loan will be amortized in two equal installments on February 1, 2006 and August 1, 2006. The loan accrues interest at LIBOR plus 3.25%. Proceeds from this loan were used to settle the debt owed by Mendoza Plaza Shopping as a result of the exercise of the put option with Banco de Chile and the call option with HSBC.

The following table shows APSA s significant outstanding debt as of June 30, 2005 (accrued interest not included):

	Ps. (million)	**U.S.$[2] (million)**	**Interest Rate**	**Maturity**
Deutsche Bank Loan	17.3	6.0	Libor + 3.25%	August 2006
Syndicated Loan	50.0	17.3	7.875%[1]	April 2007
Subtotal	67.3	23.3		
Convertible Notes	136.5	47.3	10%	July 2006
Total Debt	**203.8**	**70.7**		

(1) Adjusted Encuesta Rate plus 3% for the second year

(2) Solely for the convenience of the reader, APSA have translated Peso amounts into U.S. Dollars at the exchange rate quoted by Banco de la Nación Argentina for June 2005 which was Ps. 2.887 per US$1.0. APSA 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 .

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IRSA s Capital Expenditures

During the fiscal year ended June 30, 2005 IRSA had capital expenditures of Ps. 114.9 million. IRSA made investments in fixed assets of Ps. 79.3 million primarily in shopping centers of. Ps. 50.9 million and for the acquisition of Bouchard 710 of Ps. 20.4 million. IRSA also made investments in its subsidiaries of Ps. 4.2 million for the acquisition of Perez Cuesta S.A. and Ps. 30.8 million for the increase in our ownership interest in APSA. IRSA also invested Ps. 0.7 million in undeveloped parcels of land.

During the fiscal year ended June 30, 2004 IRSA had capital expenditures of. Ps. 97.2 million. IRSA made a net investment of Ps. 70.3 million through the purchase of shares and options of Banco Hipotecario. IRSA also made investments of Ps. 26.4 million in fixed assets primarily in APSA of Ps. 21.7 million and in the Llao Llao Hotel of Ps. 3.3 million. IRSA also invested Ps. 0.6 million in undeveloped parcels of land.

During the fiscal year ended June 30, 2003 IRSA had capital expenditures of Ps. 42.7 million. IRSA made investments in its subsidiaries of Ps. 31.7 million primarily in APSA. IRSA also made investments in fixed assets of Ps. 10.8 million primarily in the shopping center and hotel segments. In addition, IRSA made investments in undeveloped parcels of land of Ps. 0.2 million.

C. RESEARCH AND DEVELOPMENTS, PATENTS AND LICENSES

Investments in technology amounted to Ps. 11.2 million, Ps. 8.1 million and Ps. 1.9 million for the fiscal years 2005, 2004 and 2003 respectively. Total technology investments aimed at increasing the productivity of purchased land amounted to Ps. 81.7 million from fiscal year 1995. The main investments in Research and development during fiscal year 2005 corresponds to wiring and water supply, plants and machinery for irrigation and milk production, and, finally, prairies.

The objectives within this area are reached through the implementation of national and international technological development projects focusing mainly on:

- Quality and productivity improvement.
- Increase in land appreciation value through the development of marginal areas.
- Increase in the quality of food in order to achieve global food safety standards. We aim to implement and perform according to official and private quality protocols that allow us to comply with the requirements of our present and future clients. Regarding official regulations, in 2003 we implemented the Servicio Nacional de Sanidad y Calidad Agroalimentaria law on animal identification for livestock in six farms. Simultaneously, in 2004 we implemented EurepGap Protocols with the objective of complying with european union food safety standards and as a mean for continuous improvement of the internal management and system production of our farms. Our challenge is to achieve global quality standards.

We do not have any patents or licenses that are material for conducting our business.

D. TREND INFORMATION

Factors affecting the future development of the Company

Our future operating results may be affected by variations in some factors, such as adverse changes in the price of commodities or the yield of crops. Accordingly, historical tendencies may not be used to forecast future results. Our past results must not be considered indicative of our future performance. For purposes of minimizing such risks associated with weather and price factors, we apply hedging by means of futures and option agreements in the grain market, and the geographic diversification of production.

Production and sales

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.

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,					
	2003(1)		2004(1)		2005(1)	
	Owned (2)	Leased	Owned (2)	Leased	Owned (2)	Leased
Crops	10,010	13,628	13,351	9,766	19,994	16,299
Cattle	135,257		125,598		126,879	
Milk	820		820		1,583	

(1) Does not include the production of Agro-Uranga S.A.
(2) 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 fiscal year 2005 a total of 16,299 hectares were leased for agricultural activities, most of them at a fixed price prior to harvest. Only a small percentage of the lease agreements contained prices tied to the percentage of production.

Given the increase in land prices, we decided not to lease lands where projected yields significantly decreased, and only leased lands at prices we deemed appropriate to obtain profitable margins. For the 2005/06-season lease contracts were signed for 15,116 hectares of land.

Sales of crops increased by 15.1%, from Ps. 26.8 million in fiscal year 2004 to Ps. 30.9 million in fiscal year 2005. The 36.8% increase in the volume of sales, from 64,398 tons up to 88,123 tons, was partially offset by a 15.9% decrease in unit price in fiscal year 2005 compared to the price for fiscal year 2004. Average price per ton sold was Ps. 351 compared to Ps. 417 in the prior fiscal year. The production of crops increased by 100.8%, from 74,612 tons in fiscal year 2004 to 149,785 tons in fiscal year 2005 (the production of wheat, sunflower, corn and soybean increased by 42.0%, 62.3%, 111.1% and 138.4% respectively). The total sown surface area increased from 23,117 hectares in fiscal year 2004 to 36,293 hectares in fiscal year 2005. The leased sown surface area increased from 9,766 hectares in fiscal year 2004 to 16,299 hectares in fiscal year 2005 and the Company s own sown surface area increased from 13,351 hectares in fiscal year 2004 to 19,994 hectares in fiscal year 2005.

The cost of sales of crops increased from Ps. 15.4 million in fiscal year 2004 to Ps. 21.3 million in fiscal year 2005. This rise is attributable mainly to a larger sales volume coupled with a decline in commodities prices during this fiscal year, and a larger opening stock which affected, to a smaller extent, the cost of sales in fiscal year 2005. The cost of crop sales as a percentage of overall sales increased by 57.4% in fiscal year 2004 to 69.0% in fiscal year 2005.

Beef cattle sales increased 32.8%, from Ps. 27.7 million in fiscal year 2004 to Ps. 36.8 million in fiscal year 2005. The 20.8% increase in the volume of sales was accompanied by a 10.0% increase in the price per ton sold. The sales volume increased from 14,725 tons to 17,783 tons, while the sales price increased from Ps. 1.88 per kilogram in fiscal year 2004 to Ps. 2.07 per kilogram in fiscal year 2005. Average cattle stock increased from 93,386 heads in fiscal year 2004 to 96,231 in fiscal year 2005 and the total production of beef cattle decreased by 6.3%, from 11,370 tons in fiscal year 2004 to 10,657 tons in fiscal year 2005. This decline was caused by the drought that affected the supply of grazing land where we produce meat at a lower price, and was partially offset by a higher number of cattle heads finished in feed lots. The number of owned hectares used in the production of beef cattle increased from 125,598 hectares in fiscal year 2004 to 126,879 hectares in fiscal year 2005. This increase was caused by the incorporation of cattle raising hectares to the Los Pozos farmlands, partially offset by a shift of hectares used in cattle raising to agricultural production in La Esmeralda.

Cost of sales for beef cattle increased 55.7% from Ps.21.1 million in fiscal year 2004 to Ps. 32.8 million in fiscal year 2005. This increase mainly corresponds to a larger volume of meat sales, to the impact of a higher quantity of beef cattle finished in the feed lot as a consequence of the drought that affected cattle raising areas in the country and to a lower stock at the end of the fiscal year, offset to a smaller extent by higher average cattle prices during this fiscal year. The cost of sales for beef cattle as a percentage of sales of cattle increased from 76.0% in fiscal year 2004 to 89.1% in fiscal year 2005. The cost for each ton sold also increased from Ps. 1,432 in fiscal year 2004 to Ps. 1,846 in fiscal year 2005 for the same reasons.

Sales of milk increased 8.5%, from Ps. 3.2 million in fiscal year 2004 to Ps. 3.5 million in fiscal year 2005 mainly due to a 8.6% rise in production volume, from 6.7 million liters in fiscal year 2004 to 7.3 million liters in fiscal year 2005, thanks to a change in the production system forced by a severe drought, and the incorporation of our new milk parlor in the farm El Tigre. Prices have remained steady at Ps. 474 per thousand liters of milk during both fiscal years. On March 1, 2005 we opened a large-scale milk parlor in the farm El Tigre equipped with cutting edge technology. We would thus increase production capacity by around 36,000 liters a day. We project this business to post higher yields than the agricultural business. The investment made in this business amounted to approximately US$ 1.0 million.

Cost of sales for milk increased by 60.2% from Ps. 1.3 million in fiscal year 2004 to Ps. 2.1 million in fiscal year 2005. This increase is attributable to the positive effect resulting from the reclassification of dairy cattle in the previous fiscal year, coupled with the negative impact of larger feeding costs due to the drought that took place during this fiscal year. Another factor that led, albeit to a smaller extent, to the rise in costs this year, was the increase in costs in the farm El Tigre as a result of larger expenditure incurred in the development of milk parlor technology which, due to its condition, has just generated revenue in the last four months of fiscal year 2005. The cost of milk sales per thousand liters has gone up from Ps. 194 in 2004 to Ps. 286 in 2005.

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The following table presents data for different business segments:

	Total sales					
	Year ended June 30,					
	2003(1)		2004(1)		2005(1)	
	(Ps. 000)	%	(Ps. 000)	%	(Ps. 000)	%
Crops:						
Wheat	5,965	7.5	5,613	8.1	4,708	6.0
Corn	16,368	20.6	6,177	8.9	7,813	10.0
Sunflower	3,139	3.9	1,885	2.7	1,519	1.9
Soybean	21,361	26.8	11,375	16.3	15,116	19.4
Other	3,334	4.2	1,788	2.6	1,737	2.2
Total crops	50,167	63.0	26,838	38.5	30,893	39.5
Beef-cattle	20,566	25.8	27,724	39.8	36,827	47.1
Milk	2,415	3.0	3,192	4.6	3,463	4.4
Feed lot	4,453	5.7	7,120	10.2	2,130	2.8
Other	1,985	2.5	4,779	6.9	4,860	6.2
Total Sales	79,586	100.0	69,653	100.0	78,173	100.0

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

	Sales volume		
	Year ended June 30,		
	2003(1)	2004(1)	2005(1)
Crops (tons):			
Wheat	14,362	16,073	16,266
Corn	56,060	23,860	32,516
Sunflower	5,234	3,095	2,504
Soybean	40,660	19,089	29,509
Other	5,111	2,281	7,328
Total crops	121,426	64,398	88,123
Beef-cattle (tons)	11,171	14,725	17,783
Milk (thousand liters)	6,024	6,731	7,312

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

	Average selling price		
	Year ended June 30,		
	2003(1)	2004(1)	2005(1)
Price per ton:			

Wheat	415	349	289
Corn	292	259	239
Sunflower	600	609	607
Soybean	525	596	512
Beef-cattle (per ton)	1,841	1,883	2,071
Milk (thousand liters)	401	474	474

	Gross Revenues & Margin(1)					
	Year ended June 30,					
	2003(1)		2004(1)		2005(1)	
	(Ps. 000)	(%)	(Ps. 000)	(%)	(Ps. 000)	(%)
Crops	10,741	50.4	11,433	46.6	9,566	51.7
Beef-cattle	8,790	41.2	6,643	27.1	4,007	21.6
Milk	932	4.4	1,884	7.7	1,368	7.4
Feed lot	260	1.2	935	3.8	275	1.5
Other	598	2.8	3,655	14.8	3,299	17.8
Total	21,321	100.0	24,550	100.0	18,514	100.0

(1) This table does not contemplate the gross sales tax on the different segments.

Product Prospects

Wheat

USDA s projections for the 2005/06 farm season anticipate a lower world production volume, which would imply a reduction of 15 million tons from the record high of 625.6 million tons in the 2004/05 season. World consumption of wheat should increase to 618 million tons and would exceed production for the sixth year in a row. The International Cereal Council anticipates a decline of 4 million tons in worldwide wheat inventories, which should stand at 132 million tons for the 2005/06 season, mainly as a result of a drop in Chinese reserves. According to this Council, large availability is likely in many key exporters, including Europe and the Community of Independent States, which should contribute to maintain competitiveness in the world market in the 2005/06 season.

As far as Argentina is concerned, the USDA estimated that 12.1 million tons of wheat will be produced and 7 million tons exported in the 2005/06 season. Harvested wheat area for 2005/06 is forecasted at 4.90 million hectares, down 20 percent from last year. One of the main reasons for an overall decrease in harvested area from last year is a general shift from intended wheat hectares to first-crop soybeans and sunflower. The agricultural secretariat indicated that the main export destinations are the northern countries in Africa, with purchases for 2 million tons, while Brazil continues being the main export destination of Argentine wheat. Other countries that have started to import Argentine wheat include United Arab Emirates, Bangladesh, Sri Lanka, Indonesia and Kenya.

Corn

The USDA projects a world corn production of 671.9 million tons for 2005/06 season just 5% below the all-time record of 708 million tons in the season 2004/05. Production should be lower than expected in United States, Argentina, China and the European Union. Given this decline in production, even if consumption does not increase as indicated by USDA, final corn inventories would drop by 30 million tons to 96 million tons, and the stock-consumption ratio would go down by 4% to 14%.

In terms of regional markets, we expect Brazilian corn production to recover and to stand at 42.5 million tons while the Argentine production is likely to decline to 17.3 million tons after hitting a record high of 19.5 million tons in the 2004/05 season. This decline is attributable to lack of humidity conditions necessary for this crop and adverse climate conditions. Export projections stand at 13 million tons.

Soybean

In the case of soybean, the USDA projects a global production of 221.5 million tons for the 2005/06 season. Even though consumption is projected to increase by 10 million tons to 213 million tons, a surplus is still expected and final stocks could increase again by 2005/06 after the 10 million ton rise experienced in the previous season.

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In light of the conditions of soybean production in the United States by the end of July, production is expected to be 82.8 million tons in that country for 2005/06, down from the record 85.5 million tons achieved in the previous season.

At a regional level, the USDA has projected a production increase in Brazil of 58.5 million tons (51 million tons above the previous season), given a marginal increase in the sowed area. In Argentina, the soybean sowing area is expected to expand by 900,000 hectares to reach a new record of 15.2 million hectares, as wheat and corn sowing areas decline and farmlands are recovered in the northern region, where there was no sowing activity last year due to a severe drought. Production is thus projected to stand at 40.5 million tons- a rise of 1,500,000 tons on the previous season.

As far as domestic demand is concerned, exports and domestic industrialization are picking up pace above expectations, which reduces the supply available for the last months of the year.

Sunflower

For the season 2005/06 global production of seeds and oil is expected to recover. Despite good prospects, supply of both seeds and oil could still be tight given the low level of final stocks in the 2004/05 season.

At a local level, interest in this oilseed has increased as evidenced by the larger sowed area, due to higher seed and oil prices. Final production in 2004/05 stood at around 3.65 million tons, 15.5% up on the previous season. According to Oil World, prospects for Argentine production in 2005/06 are good: production is likely to reach 3.8 million tons. (the best of the last six years).

In the medium term, consumption of vegetable oils is expected to grow; added to this is the potential demand for oil to be used in biofuels. In this context, prospects for sunflower and soybean production are promising. In addition, milling capacity is expected to expand significantly.

Beef Cattle

By controlling the foot-and-mouth disease, the country has contributed to Argentina s foreign trade. Moreover, the peso devaluation has contributed to beef cattle exports, which has led to the recovery and growth of the meat packing industry.

Restrictive measures were introduced by Secretary of Agriculture, Cattle Raising, Fishing and Food (*Secretaría de Agricultura, Ganadería, Pesca y Alimentos*) to control the import of animals, semen and embryo from the United Kingdom and ban the use of animal flour in feedstuff. These measures were introduced at an optimal time to respond to the problem caused by the Bovine Spongiform Encephalopathy in the international beef trade.

Cattle prices are increasing, both for farmers and consumers, after reaching the bottom level of December 2002 as a culmination of a year characterizedby the Foot-and-Mouth Disease epidemic. The rise in the price of cattle is due to a decrease in supply, the rise in exports and inflationary effects. Prices have recovered to the US$ 0.80 per kilogram, the market price prior to the devaluation.

Sector analysts are very optimistic about the growth of this sector, given the strengthening of the export market and a robust domestic demand that, even during the crisis, remained mostly inelastic to price increases. Given a stable domestic market, in which a drop in beef consumption per capita is offset by population growth, beef production should remain stable, and would only be subject to fluctuations caused by cattle raising cycles resulting from price increases and declines and the economic competitiveness of agricultural production overall. The stability of the domestic market may be adversely affected if the Argentine government decides to prevent any potential price increase by applying withholding taxes to cattle beef exports.

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Milk

Primary milk production grew by 17.9% during 2004 as compared to the previous year, coming close to the all-time highs recorded in 1999. This trend continued during the first eight months of 2005, with a 4.3% rise in production compared with the same period last year. The recovery in total milk reception results from the expansion of the daily production per milk parlor, which largely offsets the decline in the number of milk parlors. Partial and provisional results for the month of September suggest growth will be similar to the rate in the first half of the year, since projections point to a year-on-year increase ranging between 8% and 10%.

Exports for 2004 were 68.4% above the previous year. In the first eight months of 2005, our country shipped 169,000 tons of dairy products, which represent revenues of nearly US$ 370 million. Compared to total exports for the previous year, such figures represent an increase of approximately 9.5% in volume and 21% in value. Even though powder milk still maintains the largest share of exports, cheeses are the most remarkable segment, with an outstanding expansion of 77% in terms of dollars.

Demand is likely to continue growing in the second half of 2005 in line with GDP, whereas domestic supply should grow seasonally but it will remain along the 2004 levels due to the increasing pressure coming from the export sector. This should allow sustained prices for diary products and resulting good prices to producers.

E. OFF-BALANCE SHEET ARRANGEMENT

There are no transactions, agreements or other contractual agreements to which an entity unconsolidated with the Company is a party that are not currently reflected on our balance sheet.

F. TABULAR DISCLOSURE OF CONTRACTUAL OBLIGATIONS

The following table shows our contractual obligations as of June 30, 2005:

		Payments due by period (In million of Pesos)			
Detail	**Total**	**Less than 1 year**	**1-3 year**	**3-5 year**	**More than 5 years**
Short-term debt					
Convertible Notes accrued interest	**1.18**	1.18			
Management fee payable	**8.24**	8.24			
Long-term debt					
Convertible Notes Principal	**115.85**		115.85		
Total	**125.27**	**9.42**	**115.85**		

G. SAFE HARBOR

This section is not applicable.

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Item 6. Directors, Senior Management and employees

A. DIRECTORS AND SENIOR MANAGEMENT

Board of directors

We are managed by a board of directors, which consists of ten directors and three alternate directors. Each director and alternate director is elected by our shareholders at an annual regular meeting of shareholders for a three-year term, provided, however, that only one third of the board of directors is elected each year. The directors and alternate directors may be re-elected to serve on the board any number of times. There are no arrangements or understandings pursuant to which any director or person from senior managements is selected.

Our current board of directors was elected at shareholders meetings held on November 1, 2005 and on November 29, 2005 for terms expiring in the years 2006, 2007 and 2008, as the case may be. Our current directors are as follows:

Directors(1)	Date of Birth	Position in Cresud	Term Expires	Date of Current Appointment	Current Position Held Since
Eduardo S. Elsztain	01/26/1960	Chairman of the board of directors	06/30/08	11/29/05	1994
Saúl Zang	12/30/1945	First vice- chairman of the board of directors	06/30/08	11/29/05	1994
Alejandro G. Elsztain	03/31/1966	Second vice- chairman of the board of directors and CEO	06/30/07	10/22/04	1994
Clarisa D. Lifsic	07/28/1962	Director	06/30/07	10/22/04	1994
Gabriel A.G. Reznik	11/18/1958	Director	06/30/06	10/31/03	2003
Jorge Oscar Fernández	01/08/1939	Director	06/30/06	10/31/03	2003
Susan Segal	10/09/1952	Director	06/30/07	10/22/04	2004
Fernando A. Elsztain	01/04/1961	Director	06/30/07	10/22/04	2004
Gary Gladstein	07/07/1944	Director	04/30/08	08/02/05	2005
David A. Perednik	11/15/1957	Director and chief administrative officer	06/30/07	10/22/04	2004
Salvador D. Bergel	04/17/1932	Alternate director	06/30/08	11/29/05	1996
Juan C. Quintana Terán	06/11/1937	Alternate director	06/30/08	11/29/05	1994
Gastón A. Lernoud	06/04/1968	Alternate director	06/30/08	11/29/05	1999

(1) The business address of our management is Cresud S.A.C.I.F.I. y A., Moreno 877, 23rd Floor, (C1091AAQ) Buenos Aires, Argentina.

The following is a brief biographical description of each member of our board of directors:

Eduardo S. Elsztain. Mr. Elsztain studied Economic Sciences at University of Buenos Aires (*Universidad de Buenos Aires*). He has been engaged in the real estate business for more than twenty years. He is the chairman of the board of directors of IRSA, APSA, Shopping Alto Palermo S.A., Consultores Asset Managament and Banco de Crédito & Securitización. He is also vice-chairman of Banco Hipotecario S.A. among other companies. He is Fernando A. Elsztain s cousin and Alejandro G. Elsztain s brother.

Saúl Zang. Mr. Zang obtained a law degree from University of Buenos Aires (*Universidad de Buenos Aires*). He is a member of the International Bar Association (Asociación Internacional de Abogados) and the Interamerican Federation of Lawyers (Federación Interamericana de Abogados). He is a founding member of the law firm Zang, Bergel & Viñes. He is also first vice-chairman of the board of directors of IRSA and Shopping Alto Palermo S.A., and vice-chairman of APSA, Puerto Retiro and Fibesa; and director of Banco Hipotecario S.A., Nuevas Fronteras S.A., Tarshop and Palermo Invest S.A.

Alejandro G. Elsztain. Mr. Elsztain obtained a degree in agricultural engineering from University of Buenos Aires (*Universidad de Buenos Aires)*. He is chairman of Inversiones Ganaderas S.A. and Cactus Argentina. He is also second vice-chairman of IRSA and executive vice-chairman of APSA and Shopping Alto Palermo S.A. He is a member of the board of directors of Futuros y Opciones S.A. Mr. Alejandro G. Elsztain is the brother of our chairman, Eduardo S. Elsztain, and cousin of Fernando A. Elsztain.

Clarisa D. Lifsic. Mrs. Lifsic obtained a degree in Economic Sciences from University of Buenos Aires (*Universidad de Buenos Aires)* and she holds a Masters Degree in Sciences with management expertise from Massachusetts Institute of Technology. She has also held offices in research and financial analysis areas in the private sector since 1987. She currently is the chairman of the board of directors of Banco Hipotecario S.A.

Gabriel A. G. Reznik. Mr. Reznik obtained a degree in Civil Engineering from University of Buenos Aires (*Universidad de Buenos Aires)*. He worked for for IRSA since 1992 until May 2005 at which time he resigned. He formerly worked for an independent construction company in Argentina. He is an alternate director of ERSA, Puerto Retiro S.A., Tarshop S.A. and Fibesa, as well as member of the board of Banco Hipotecario S.A., among others.

Jorge Oscar Fernández. Mr. Fernández obtained a degree in Economic Sciences from University of Buenos Aires (*Universidad de Buenos Aires)*. He has performed professional activities at several banks, financial corporations, brokerage and insurance firms and other companies related to financial services. He is also involved in many industrial, commercial and professional institutions and associations.

Susan L. Segal. Ms. Segal graduated from Sarah Lawrence College and holds an MBA degree from Columbia University. She was a founding partner of Inspiration Partners. Formerly she was a partner and Latin American group head at JPMorgan Partners/Chase Capital Partners and a senior managing director at Chemical/Chase Banks. Ms. Segal is currently chairman and chief executive officer of the Council of the Americas/Americas Society.

Fernando A. Elsztain. Mr. Elsztain studied architecture at University of Buenos Aires (*Universidad de Buenos Aires)*. He has been engaged in the real estate business as a consultant and as managing officer of a real estate company. He is chairman of the board of directors of Llao Llao Resorts S.A., Palermo Invest S.A. and Nuevas Fronteras S.A. He is also a director of IRSA, APSA, SAPSA, Hoteles Argentinos and Tarshop and alternate director of Banco Hipotecario and Puerto Retiro. He is the cousin of our director chief executive officer Alejandro Elsztain and of our chairman Eduardo S. Elsztain.

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Gary S. Gladstein. Mr. Gladstein obtained a Bachelor s degree in Business Administration, graduated from the University of Connecticut and holds a Master degree in Business Administration from Columbia University. He worked as operations manager for Soros Fund Management LLC and he is currently senior consultant for Soros Fund Management LLC. He is also a member of the board of directors of Mueller Industries, Jos A. Bank Clothiers and Emerging Inc.

David A. Perednik. Mr. Perednik obtained a degree in accounting from University of Buenos Aires (*Universidad de Buenos Aires)*. He has worked for several companies such as Marifran Internacional S.A., a subsidiary of Louis Dreyfus Amateurs where he worked as Financial Manager from 1986 to 1997. He also worked as a Senior Consultant in the administration and systems department of Deloitte & Touche from 1983 to 1986. He is also chief administrative officer of IRSA and APSA.

Salvador D. Bergel. Mr. Bergel obtained a law degree and a PhD from Litoral University (*Universidad Nacional del Litoral)*. He is a founding partner of Zang, Bergel & Viñes and a consultant at Repsol YPF S.A. He is also an alternate director of APSA.

Juan C. Quintana Terán. Mr. Quintana Terán obtained a law degree from University of Buenos Aires (*Universidad de Buenos Aires)*. He is also a consultant at Zang, Bergel & Viñes law firm. He has been chairman and Judge of the National Commercial Court of Appeals of the City of Buenos Aires (Cámara Nacional de Apelaciones en lo Comercial). He is an alternate director of APSA.

Gastón Armando Lernoud. Mr. Lernoud obtained a law degree from El Salvador University (*Universidad de El Salvador)* in 1992. He obtained a Masters degree in Corporate Law in 1996 from Palermo University (*Universidad de Palermo)*. He was a senior associated member of Zang, Bergel & Viñes law firm until June 2002, when he joined Cresud s lawyers.

Comisión Nacional de Valores proceedings

Proceeding initiated in July 2005

On July 22, 2005, the *Comisión Nacional de Valores* served formal notice to *Banco Hipotecario*, its board of directors, the members of its supervisory committee and its market relationship manager that the *Comisión Nacional de Valores* had initiated a proceeding (a *sumario*) against all each of them and *Banco Hipotecario*, in which it questioned the validity and amount of certain payments made in 2005 (in connection with the fiscal year 2004) to the members of its executive committee and to certain of its senior managers under *Banco Hipotecario* s management compensation plan, as well as the publicity given to them. *Banco Hipotecario* s management compensation plan was approved by *Banco Hipotecario* s shareholders at the shareholders meetings held on April 28, 1999 and May 31, 2004.

The members of *Banco Hipotecario* s executive committee voluntarily deposited the amount of fees received by them in escrow accounts maintained with *Banco Hipotecario*, pending the shareholders meeting specially called by its board of directors to specifically approve the objected payments, and filed (as *Banco Hipotecario* and the other charged parties did) their defenses before the *Comisión Nacional de Valores*.

At the shareholders meeting held on August 31, 2005, 97.89% of our capital stock was represented and voted. The compensation payments that were the subject matter of the *sumario* presented by the *Comisión Nacional de Valores* and, in particular, the amounts of Ps.2.8 million paid in respect of profit sharing and Ps.17.5 million paid in respect of stock appreciation rights, accrued during the course of the fiscal year ended December 31, 2004, were approved at the shareholders meeting by the favorable vote of a majority of the shares present. The Argentine government, in its capacity as shareholder, voted against the approval of these compensation payments.

On September 30, 2005, the *Comisión Nacional de Valores* issued Resolution No. 15,205, whereby it imposed on *Banco Hipotecario* a fine of Ps.1,000,000, to be paid jointly by the members of our executive committee, in the understanding that all of them breached certain rules and regulations in force. In addition, it released the rest of the directors from certain charges and imposed on them admonition sanctions on account of other charges, and issued warnings against the members of the supervisory committee and market relations manager.

On October 25, 2005 *Banco Hipotecario* and the members of the executive committee appealed the fine and the entire decision.

Some of our director s are members of the executive committee of Banco Hipotecario.

Proceeding initiated in August 2005

On August 25, 2005, the *Comisión Nacional de Valores* initiated a second *sumario*, against certain of Banco Hipotecario s principal shareholders and directors, alleging manipulation in the market price of *Banco Hipotecario* s shares supposedly achieved by an increase in the volume of shares traded from November 1, 2004 through February 14, 2005. The *Comisión Nacional de Valores* based its *sumario* on the fact that the increase in *Banco Hipotecario* s share price, which was in the range of approximately 79% during the period in question, could solely be due to the intervention and manipulation in the market on the part of the shareholders and individuals referred to in the *sumario*, intervention that reportedly consisted in sales of shares by two of them and sales and purchases of shares by the third shareholder.

We understand that: (a) the legal representatives of the shareholders argued that the *Comisión Nacional de Valores* did not have standing to sue them; and (b) the shareholders and the other charged parties filed a series of substantive defenses aimed at establishing that there was no market manipulation whatsoever, arguing that: (i) there is no causal relationship between the increased trading of *Banco Hipotecario* s shares and the higher market price; (ii) there are different variables, both internal and external to *Banco Hipotecario*, that explain their market price and prospects of *Banco Hipotecario*, as well as the appreciation of the shares that occurred during the period under investigation, which relate to Banco Hipotecario s favorable results, sound fundamentals, and the relative lagging of its market prices prior to this period compared to securities of other financial institutions in Argentina; (iii) no direct relationship was proved to exist between the appreciation in the value of the shares and the transactions carried out by the charged parties; (iv) a significant portion of the shareholders sales volume is explained by new, genuine, direct demand from foreign institutional investors; and (v) the apparent significance of the shareholders share in the trading volume has an almost linear relationship with their shareholding percentage, given their capacity as principal shareholders who own more than 40% of the Class D shares.

This proceeding can be lengthy and its outcome is uncertain. Under its regulations, the *Comisión Nacional de Valores* may impose penalties (which might include monetary fines and other measures as provided by the applicable law) to the charged parties, if it were proved that the increase in the traded volumes was the direct and exclusive cause of the increase in the price of *Banco Hipotecario* s shares from November 2004 through February 2005.

One of our shareholder s and some of our directors are involved in the above described *sumario*.

Empoyment contracts with our directors

We do not have employment contracts with our directors.

SENIOR MANAGEMENT

Appointment of the Senior Management

Our board of directors appoints and removes the senior management. Senior management performs its duties in accordance with the instructions of our board of directors. There are no arrangements by which a person is selected as a member of our senior management.

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Information about Senior Management

The following table shows information about our current senior management designated by a board of directors meeting held on December 20, 2004:

Name	Date of Birth	Position	Current Position Held Since
Eduardo S. Elsztain	01/26/1960	Chairman of the board	1994
Alejandro G. Elsztain	03/31/1966	Chief executive officer	1994
Gabriel Blasi	11/22/1960	Chief financial officer	2004
Alejandro Bartolomé	12/09/1954	Chief production officer	1996
David A. Perednik	11/15/1957	Chief administrative officer	1997
José Luis Rinaldini	08/14/1963	Chief subsidiaries supervisor	1995
Alejandro Casaretto	10/15/1952	Chief real estate officer	2000
Carlos Blousson	09/21/1963	Chief sales officer	2000

The following is a biographical description of each of our senior managers who are not directors:

Gabriel Blasi. Mr. Blasi obtained a business administration degree and carried out post graduate studies in Finance at CEMA University (*Universidad del* CEMA, *Centro de Estudios Macroeconómicos Argentinos*) and at Austral University (*IAE, Universidad Austral)*. He formerly worked as a senior securities trader at Citibank. He also performed several management positions related to investment banking and capital markets at Banco Río (BSCH) and was a financial director of Carrefour Group and Goyaique SACIFIA (Grupo Perez Companc). Currently, he also serves as chief financial director of IRSA and APSA.

Alejandro Bartolomé. Mr. Bartolomé obtained a degree in agriculture from University of Buenos Aires (*Universidad de Buenos Aires)* and a Master s degree in Animal Production from University of Reading (England). He was treasurer of CREA Monte Buey Inriville and coordinator of the Dairy Group Santa Emilia from 1993 until 1996. He also worked as a farm manager and was associated to a farm management company called Administración Abelenda, Magrane, Anchorena.

José Luis Rinaldini. Mr. Rinaldini obtained a degree in agriculture from University of Buenos Aires (*Universidad de Buenos Aires)*. He has worked for Inversiones Ganaderas S.A. and for an agriculture and forestry company in the production and marketing areas.

Alejandro Casaretto. Mr. Casaretto obtained a degree in agriculture from University of Buenos Aires (*Universidad de Buenos Aires)*. He has been working as our Technical Manager, a farm manager and has been a technical coordinator since 1975.

Carlos Blousson. Mr. Blousson obtained a degree in agriculture from University of Buenos Aires (*Universidad de Buenos Aires)*. He has been working as our Sales Officer since 1996. Prior to joining Cresud, he worked as a futures and options operator at Vanexva Bursátil Sociedad de Bolsa-. Previously, he worked as a farm manager and a technical advisor at Leucon S.A.

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SUPERVISORY COMMITTEE

Composition of the Supervisory Committee

Our Supervisory Committee is responsible for reviewing and supervising our administration and affairs, and verifying compliance with the bylaws and the decisions adopted at shareholders meetings. The members of the Supervisory Committee are appointed at the annual general ordinary shareholders meeting for a term of one year. The Supervisory Committee is composed of three members and three alternate members.

Information about Members of the Supervisory Committee

The following table shows information about the members of our Supervisory Committee, who were elected in the annual general ordinary shareholders meeting which was held on November 29, 2005:

Member	Date of Birth (m/d/y)	Position
José Daniel Abelovich	07/20/1956	Member
Marcelo Héctor Fuxman	11/30/1955	Member
Roberto Murmis	04/07/1959	Member
María Marta Anzizar	09/24/1960	Alternate member
Sergio Kolaczyk	11/28/1964	Alternate member
Silvia Cecilia De Feo	10/07/1958	Alternate member

Set forth below is a brief biographical description of each member of our Supervisory Committee:

José D. Abelovich. Mr. Abelovich obtained a degree in accounting from the University of Buenos Aires (*Universidad de Buenos Aires)*. He is a founding member and partner of Abelovich, Polano & Asociados/SC International, a public accounting firm in Argentina. Formerly, he had been a manager of Harteneck, López y Cía/Coopers & Lybrand and has served as a senior advisor in Argentina for the United Nations and the World Bank. He is a member of the Supervisory Committees of APSA, SAPSA, Hoteles Argentinos and Inversora Bolívar.

Marcelo H. Fuxman. Mr. Fuxman obtained a degree in accounting from the University of Buenos Aires (*Universidad de Buenos Aires)*. He is a partner of Abelovich, Polano and Associates/SC International, a public accounting firm in Argentina. He is also a member of the Supervisory Committee of APSA, SAPSA and Inversora Bolívar.

Roberto Murmis. Mr. Murmis holds a degree in accounting from the University of Buenos Aires (*Universidad de Buenos Aires)*. Mr. Murmis is a partner at Abelovich, Polano & Asociados / SC International. Mr. Murmis worked as an advisor to the Secretaría de Ingresos Públicos. Furthermore, he is a member of the Supervisory Committee of SAPSA, Futuros y Opciones S.A. and Llao Llao Resorts S.A.

María Marta Anzizar. Mrs. Anzizar obtained a degree in accounting from the University of Buenos Aires (*Universidad de Buenos Aires)*. She is currently External Audit Manager for Abelovich, Polano and Associates, an accounting firm of the Argentine Republic.

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Sergio Leonardo Kolaczyk. Mr. Kolaczyk obtained a degree in accounting from the University of Buenos Aires (*Universidad de Buenos Aires*). He is a professional of Abelovich, Polano & Asociados, a member firm of S C Intenational. He is also a member of the Supervisory Committee suplend of APSA and IRSA.

Silvia De Feo. Mrs. De Feo obtained a degree in accounting from the University of Belgrano (*Universidad de Belgrano*). She is a manager at Abelovich, Polano & Asociados/ SC International, an accounting firm in Argentina and former manager at Harteneck, Lopez & Cía./Coopers & Lybrand. She is also a member of the Supervisory Committees of SAPSA, Inversora Bolivar S.A. and Baldovinos S.A.

KEY EMPLOYEES

There are no key employees.

B. COMPENSATION

Compensation of directors

Under Argentine law, if the compensation of the members of the board of directors is not established in the by-laws of the company, it should be determined by the shareholders meeting. The maximum amount of total compensation to the members of the board of directors, including compensation for technical or administrative permanent activities, cannot exceed 25% of the earnings of the company. That amount should be limited to 5% when there is no distribution of dividends to shareholders, and will be increased proportionally to the distribution. When one or more directors perform special commissions or technical or administrative activities, and there are no earnings to distribute, or they are reduced, the shareholders meeting may approve compensation in excess of the above-mentioned limits.

The compensation of our directors for each fiscal year is determined pursuant to Argentine law, and taking into consideration whether the directors performed technical or administrative activities and our fiscal year s results. Once the amount is determined, they are considered at the shareholders meeting.

At our shareholders meeting held on November 29, 2005 the shareholders approved an aggregate compensation of Ps. 2.68 million for all of our directors for the fiscal year ended June 30, 2005.

Compensation of Supervisory Committee

The shareholders meeting held on November 29, 2005, further approved unanimously not to pay any compensation to our Supervisory Committee.

Compensation of Senior Management

Our senior management is paid a fixed amount established by taking into consideration their background, capacity and experience and an annual bonus which varies according to their individual performance and our results.

The total and aggregate compensation of our senior management for the fiscal year ended June 30, 2005 was Ps. 1.6 million.

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Stock Option Plan

On November 19, 2001, the shareholders approved a Stock Option Plan relating to the shares that would remain after the shareholders exercised their pre-emptive rights to acquire treasury stock covering 4,614,643 shares. The board of directors would allocate (i) two thirds of the options among the Initial Beneficiaries (Messrs. Alejandro G. Elsztain, Alejandro Cassaretto, Alejandro Bartolomé, José L. Rinaldini, Carlos Blousson and David A. Perednik), and (ii) the remaining one third of the options among any of the Company s employees or executive officers in a period beginning six months after the initial allocation and ending three months before the expiration of the term of the exercise of options. After the exercise of the pre-emptive rights by the shareholders that subscribed 2,353 shares during the third quarter of fiscal year 2002, 4,612,290 shares of treasury stock have been reserved for the Stock Option Plan. We established two trusts so that the beneficiaries may exercise the option, among any of our employees, officers or senior managers. The options were granted to the beneficiaries as follows:

Name	Shares
First trust	
Alejandro G. Elsztain	2,073,437
Alejandro Cassaretto	200,000
Alejandro Bartolomé	200,000
Carlos Blousson	200,000
José L. Rinaldini	200,000
David A. Perednik	200,000
Second trust	
Eduardo S. Elsztain	984,866
Marcelo Mindlin	246,217
Saúl Zang	153,885
Clarisa Lifsic	153,885

Pursuant to this agreement, the beneficiaries were entitled to exercise the options by January 15, 2005 and the amount to be paid for the exercise of the option was Ps. 1 for each share plus an annual interest calculated on the basis of six-month LIBOR rates. According to the trusts, dividends distributed on the shares subject to the option shall automatically add to the trusts property.

As of November 30, 2005 options to acquire 4,612,290 shares were exercised.

Benefit Plans

We do not currently have any plans providing for pension, retirement or other similar benefits, other than those related to our senior management.

C. BOARD PRACTICES

Benefits upon Termination of Employment

There are no contracts providing for benefits to directors upon termination of employment.

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Audit Committee

In accordance with the Regime of Transparency in Public Offerings provided by Decree 677/01, the regulations of the *Comisión Nacional de Valores* and Resolutions No. 400 and 402 of the *Comisión Nacional de Valo*res, our board of directors established an audit committee which would focus on assisting the board in exercising its duty of care, compliance with disclosure requirements, the enforcement of accounting policies, management of our business risks, the management of our internal control systems, ethical conduct of the company s businesses, monitoring the sufficiency of our financial statements, the company s compliance with the laws, independence and capacity of independent auditors and performance of our internal audit duties both by our company and our external auditors.

On December 21, 2005, our board of directors officially appointed Jorge Oscar Fernández, Susan Segal, and Gabriel Adolfo Reznik, all of them independent members, as members of the audit committee. The board of directors named Jorge Oscar Fernández as the financial expert in accordance with the relevant SEC rules. We have a fully independent audit committee as per the standard provided in Rule 10(A)-3(b)(1).The expiration date of the current term members is provided in Item 6.A and 6.B.

Remuneration Committee

There is no remuneration committee.

D. EMPLOYEES

As of June 30, 2005, we had 311 employees, including the employees of all our subsidiaries but not those of Agro-Uranga S.A. Approximately 65% are under collective labor agreements. We believe we have good relations with the union and our employees. We have never experienced a work stoppage or labor unrest. We offer below a breakdown of the number of employees for our three more recent fiscal years ended in June.

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Province	At June 30, 2005 Regular, salaried	At June 30, 2005 Temporary	At June 30, 2004 Regular, salaried	At June 30, 2004 Temporary	At June 30, 2003 Regular, salaried	At June 30, 2003 Temporary
Buenos Aires	93	2	79	13	71	6
Catamarca	11	1	10	2	8	8
Chaco	51	3	45	5	42	6
Córdoba	21	2	21	1	18	9
Entre Ríos	1					
La Pampa	20	2	2	2	1	
Salta	17		17	2	15	
San Luis	31	5	36	5	27	11
Santa Fe	48	3	32	7	47	6
Total employees	293	18	242	37	229	46

E. SHARE OWNERSHIP

Share ownership of directors, members of the Supervisory Committee, members of the executive committee and senior management as of November 30, 2005.

The following table sets forth the amount and percentage of our shares beneficially owned by our directors, members of the executive committee, Supervisory Committee senior management and members of the audit committee as of November 30, 2005:

Name	Position	Number of Shares	Percentage
Directors			
Eduardo S. Elsztain (1)	Chairman	34,181,018	20.2%
Saúl Zang	First vice-chairman		
Alejandro G. Elsztain	Second vice-chairman / Chief executive officer	27,100	0.02%
Clarisa Lifsic	Director	150,545	0.10%
Gabriel A. G. Reznik	Director		
Jorge Oscar Fernández	Director	2,700,000	1.6%
Susan Segal	Director		
Fernando A. Elsztain	Director		
Gary Gladstein	Director	32,300	0.02%
David A. Perednik	Director / Chief administrative officer		
Juan C. Quintana Terán	Alternate director		
Salvador D. Bergel	Alternate director		
Gastón A. Lernoud	Alternate director		
Senior Management			

Gabriel Blasi	Chief financial officer		
Alejandro Bartolomé	Chief production officer	25,000	0.01%
José Luis Rinaldini	Chief subsidiaries supervisor		
Carlos Blousson	Chief sales officer	7,300	0.00%
Alejandro Casaretto	Chief real estate officer	90,000	0.05%

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Name	Position	Number of Shares	Percentage
Supervisory Committee			
José D. Abelovich	Member		
Marcelo H. Fuxman	Member		
Roberto Murmis	Member		
Silvia C. De Feo	Alternate member		
María M. Anzizar	Alternate member		
Sergio Kolaczyk	Alternate member		
Executive Committee			
Saúl Zang	Member		
Eduardo S. Elsztain	Member		
Alejandro G. Elsztain	Member		

(1) The number of shares beneficially owned by Mr. Eduardo S. Elsztain is 122,648,261, assuming full conversion of the 20,970,641 units of convertible notes and 23,953,025 units of warrants owned by Mr. Elsztain through Inversiones Financieras del Sur S.A.

Employees Participation in our Capital Stock

On November 19, 2001, our shareholders, at an extraordinary shareholders meeting, authorized us to enter into a stock option plan relating to the shares remaining after the shareholders exercise of their preemptive rights to acquire treasury shares.

In accordance with Argentine law, we established a special purpose trust for a term equal to the option period.

Pursuant to this agreement, the beneficiaries are entitled to exercise the option by January 15, 2005 and the amount to be paid for the exercise of the option shall be Ps. 1 for each share plus an annual interest calculated on the basis of six-month LIBOR rates. According to the trust, dividends distributed on the shares subject to the option shall automatically add to the trust property.

In accordance to such extraordinary shareholders meeting, on February 13, 2002, options were granted to the beneficiaries as follows:

Name	Shares granted	Outstanding as of June 30, 2005
Alejandro G. Elsztain	2,073,437	
Eduardo S. Elsztain	984,866	
M. Marcelo Mindlin	246,217	
Alejandro Cassaretto	200,000	
Alejandro Bartolomé	200,000	
Carlos Blousson	200,000	
José L. Rinaldini	200,000	
David A. Perednik	200,000	
Saúl Zang	153,885	
Clarisa Lifsic	153,885	

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Item 7. Major shareholders and related party transactions

A. MAJOR SHAREHOLDERS

Information about Major Shareholders

Share Ownership

The following table sets forth certain information regarding the beneficial ownership of our outstanding common stock as of November 30, 2005 by:

- each person known to us to be the beneficial owner of more than 5% of our common stock;
- each of our named senior managers;
- each director; and
- all current directors and senior managers as a group.

Directors	Position	Amount	Percentage
Eduardo S. Elsztain (1)	Chairman	34,181,018	20.2%
Saúl Zang	First vice-chairman		
Alejandro G. Elsztain	Second vice-chairman / chief executive officer	27,100	0.02%
Clarisa Lifsic	Director	150,545	0.10%
Gabriel A. G. Reznik	Director		
Jorge Oscar Fernández	Director	2,700,000	1.6%
Susan Segal	Director		
Fernando A. Elsztain	Director		
Gary Gladstein	Director	32,300	0.02%
David A. Perednik	Director / chief administrative officer		
Juan C. Quintana Terán	Alternate director		
Salvador D. Bergel	Alternate director		
Gaston A. Lernoud	Alternate director		
Senior Management			
Gabriel Blasi	Chief financial officer		
Alejandro Bartolomé	Chief production officer	25,000	0.01%
José Luis Rinaldini			

	Chief subsidiaries supervisor		
Alejandro Casaretto	Chief real estate officer	90,000	0.05%
Carlos Blousson	Chief sales officer	7,300	0.00%
Directors and Senior Management in the aggregate		**37,213,263**	**22.01%**
Pension funds in the aggregate		11,527,754	6.8%

(1) The number of shares beneficially owned by Mr. Eduardo S. Elsztain is 122,648,261, assuming full conversion of the 20,970,641 units of convertible notes and 23,953,025 units of warrants owned by Mr. Elsztain through Inversiones Financieras del Sur S.A.

As of November 30, 2005, we had 169,098,097 shares outstanding, of which 13.5% were held in Argentina.

As of November 30, 2005, there were approximately 12,952,302 American Depositary Shares (representing 129,523,020 of our common shares, or approximately 76.6% of all of our outstanding shares) held in the United States. Additionally, as of such date, there were approximately 43 registered holders represented by American Depositary Shares in the United States.

Except as set forth in the preceding table, we are not aware of the existence of other shareholders owning more than 5% of our capital stock. Our principal shareholders voting rights are similar to those of our other shareholders.

Change in Capital Stock Ownership

	As of November 30, 2005	As of June 30, 2005	As of June 30, 2004	As of June 30, 2003	As of June 30, 2002
	%	%	%	%	%
Eduardo S. Elsztain (1)	20.2%	17.3%	28.9%	49.7%	51.1%
Pension Funds in the aggregate	6.8%	7.1%	7.9%	11.7%	19.2%
Directors and senior managers in the aggregate	20.4%	17.5%	31.3%	53.1%	55.3%

(1) The number of shares beneficially owned by Mr. Eduardo S. Elsztain is 122,648,261, assuming full conversion of the 20,970,641 units of convertible notes and 23,953,025 units of warrants owned by Mr. Elsztain through Inversiones Financieras del Sur S.A.

On October 15, 2002, we initiated a preemptive rights offering to subscribe for 50,000,000 units consisting of US$ 50.0 million of 8% Convertible Notes due 2007 and non-detachable warrants to purchase additional shares of our common stock. The Convertible Notes may be converted at the holder s option into shares of our common stock until maturity on November 14, 2007, at the initial conversion price of US$ 0.5078 per common share. Each warrant will be exercisable on or after conversion of the convertible note to which it is attached at the same conversion price plus a 20% premium (US$ 0.6093). The rights offering to holders of our common shares and ADSs expired on November 13, 2002. Existing shareholders have subscribed through the exercise of their preemptive rights for US$ 20.5 million and they have exercised their accretion rights for US$ 1.7 million, totaling together US$ 22.2 million. During the allocation of the remainder new investors have subscribed the remaining US$ 27.8 million units, completing the US$ 50 million offering.

As of November 30, 2005 our directors and senior managers controlled, directly or indirectly, approximately 20.4% of our common shares. As a result, these shareholders have, and will continue to have, significant influence on the election of our directors and the outcome of any action requiring shareholder approval. Moreover, certain of our directors and senior managers hold 20,978,241 units of our convertible notes and 23,952,025 units of warrants. If our directors and senior managers convert all Convertible Notes and exercise all warrants so acquired and none of our other shareholders convert their notes, they will control, directly or indirectly, 38.3% of our common stock.

Difference in Voting Rights

Our major shareholders do not have different voting rights.

B. RELATED PARTY TRANSACTIONS

Saúl Zang, our first vice-president is also director of Inversora Bolívar S.A. and Alejandro Gustavo Elsztain, our second vice-chairman is the vice chairman of Inversora Bolívar S.A. In addition, Fernando Adrián Elsztain who is the chairman of Inversora Bolívar is also our director.

Headquarters

From December 2001 to December 2003 we subleased our headquarters from APSA. Eduardo S. Elsztain, our chairman is also the chairman of the board of directors of APSA. We paid a monthly rent of Ps. 2,541.

This subleased agreement was cancelled on February, 2004 and a new lease agreement was signed among us, APSA, IRSA and Isaac Elsztain e Hijos S.C.A. We have leased our executive offices located in Bolívar 108, City of Buenos Aires pursuant to this agreement since March 2004. This lease has a term of 120 months and rent of Ps. 8,490 payable monthly. We, APSA and IRSA each pay one-third of such rent in an amount of Ps. 2,830 each.

In December 2003, we moved our headquarters to the 23rd floor of the Intercontinental Plaza tower, located at Moreno 877, in the City of Buenos Aires. We lease our headquarters and five parking lot spaces from Inversora Bolívar S.A., a subsidiary of IRSA, pursuant to a lease agreement with an initial term of 60 months and an extension option for 36 additional months. We pay monthly rent of US$ 2,979 and received the first two months free.

Consulting Agreement

Pursuant to the consulting agreement (the Consulting Agreement) with Dolphin Fund Management S.A., effective as of November 7, 1994, we pay an annual fee equivalent to 10% of our net income for certain agriculture advice and other administration services.

Dolphin Fund Management S.A spun off in two companies on November 25, 2003: Consultores Asset Management S.A. and Dolphin Fund Management S.A. Eduardo Elsztain is the owner of 85% of the capital stock of Consultores Asset Management S.A., while serving as our first vice-chairman of the board, while Saúl Zang, holds the other 15% of the capital stock. As a consequence of the spin off, the consulting agreement has been assigned to Consultores Asset Management S.A.

Pursuant to the terms of the Consulting Agreement, Consultores Asset Management S.A provides us with the following services:

- advises with respect to the investment of its capital in all aspects of agricultural operations, including, among others, sales, marketing, distribution, financing, investments, technology and business proposals;

acts on our behalf in such transactions, negotiating the prices, conditions, and other terms of each operation; and

gives advice regarding securities investments with respect to such operations.

The Consulting Agreement expressly provides that Consultores Asset Management S.A. may not advise us with respect to transactions that are related to real estate.

Under the Consulting Agreement, we pay Consultores Asset Management S.A. for its services, an annual fee equal to 10% of our annual after-tax net income. We also reimburse Consultores Asset Management S.A. the administrative expenses incurred by it in performing its duties under the

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Consulting Agreement and: (i) remuneration to the directors, trustees and certifying accountants; (ii) remuneration of legal consultants; (iii) remuneration of auditors; (iv) representation costs; and (v) all other costs incurred by it in performing its services.

In fiscal years 2005, 2004 and 2003 Consultores Asset Management S.A. (formerly Dolphin Fund Management) received fees in the amount of Ps. 8.5 million, Ps. 3.6 million and Ps 7.2 million, respectively. During these years, we were not charged for any administrative expenses by Consultores Asset Management S.A. (former Dolphin Fund Management). However, no assurances can be given that Consultores Asset Management (formerly Dolphin Fund Management) will not request reimbursement for such expenses in the future.

The Consulting Agreement is subject to termination by either party upon not less than 60 days prior written notice. If we terminate the Consulting Agreement without cause, we will be liable to Consultores Asset Management S.A for twice the average of the amounts of the management fee paid to Consultores Asset Management S.A for the two fiscal years prior to such termination.

Donations to Fundación IRSA

From time to time, the Company donates money to Fundación IRSA, a charitable, not-for-profit organization, the director of which is Edwardo S. Elsztain, a significant shareholder and the Chairman of the board of directors of the Company, and whose wife serves as the President of the not-for-profit organization. The Company paid Ps. 1,177,988, Ps. 1,130,150, and Ps. 361,650 during the years ended June 30, 2005, 2004 and 2003, respectively. In addition, at June 30, 2005 the Company has recognized a liability for the unconditional promise to give cash to Fundación IRSA for Ps. 1.9 million which is included within trade accounts payable .

Agreement for Shared Corporate Services with IRSA and APSA

In order to reduce administrative expenses and to achieve a more efficient allocation of corporate resources, a program for partial operating integration in the areas of Human Resources, Finance, Institutional Relations, Administration, Systems, Insurance, Purchasing, Contracts and Operations, among others, was implemented on June 30, 2003 by the Company, APSA and IRSA (the Parties). This program was implemented to reduce operating costs by optimizing the individual administrative efficiencies of each Party.

On the basis of this program, the Parties entered into the Exchange of Operating Services Agreement on June 30, 2004, a two-year agreement by which tasks are performed by one or more Parties for the benefit of one or more other Parties in exchange for a fee to be paid primarily through the provision of services in other areas. Through this agreement, each party continues to maintain its strategic and commercial independence while increasing operating efficiency. This agreement will not affect the independence of each Party s record and accounting systems or adversely affect internal control systems or external audit tasks. Each party will continue to maintain separate assets and liabilities.

Alejandro Gustavo Elsztain is the General Coordinator of the program and Clarisa Diana Lifsic de Estol is responsible for the implementation of the agreement. The main duties for the project for implementation shall consist of (a) monitoring the project s implementation in accordance with the agreement; (b) reviewing the billing report on a monthly basis to analyze and check it against the provisions of the Agreement, and, in the event of discrepancies or deviations, preparing a report to submit for the consideration of the General Coordinator, and by each Party s boards of directors and (c) assessing, on a permanent basis the, results derived from the project s implementation and proposing to the General Coordinator changes in the event of a conflict with the agreement or, if appropriate, the possibility of establishing cost or benefit allocation mechanisms or criteria more consistent with the goals of the agreement.

In the future and in order to continue our policy of achieving a more efficient allocation of corporate resources, we may extend the areas in which we share corporate services with IRSA and APSA. Our chairman is also chairman of IRSA and APSA and our vice-chairman is also vice-chairman of IRSA and APSA. We believe that the terms and conditions of these transactions are consistent in all material respects with those prevailing in the market at the relevant time for agreements between unaffiliated parties.

The Share Services Agreement has been reported in a report on Form 6K dated July 1, 2004.

Legal services

During the years ended June 30, 2005, 2004 and 2003, the law firm Zang, Bergel & Viñes provided the Company legal services amounting Ps. 0.2 million, Ps. 0.1 million and Ps. 0.1 million, respectively. Our first vice-chairman Saúl Zang and our director Salvador are partners of such law firm.

Subscription of our Convertible Notes by Inversiones Financieras del Sur S.A.

On October 15, 2002, we initiated a preemptive rights offering to subscribe for 50,000,000 units consisting of US$ 50.0 million of 8% Convertible Notes due 2007 (Convertible Notes) and non-detachable warrants to purchase shares of our common stock.

Inversiones Financieras del Sur S.A., an Uruguayan holding company, for which Mr. Eduardo S. Elsztain may be deemed beneficial owner by virtue of his voting power to control that company, has subscribed US$ 22.6 million of our Convertible Notes.

As of November 30, 2005 Inversiones Financieras del Sur S.A. held 20.2% of our common shares. Assuming Inversiones Financieras del Sur S.A. exercises its conversion rights of all of its Convertible Notes and no other bond holder exercises such rights, Inversiones Financieras del Sur S.A. would own 35.9% of our common shares. In the case all bondholders exercise their conversion rights and Inversiones Financieras del Sur S.A. exercise them as well, Inversiones Financieras del Sur S.A. would own 31.2% of our common stock.

Acquisition of IRSA Units

During November and December 2002, we purchased 49.7 million Convertible Notes issued by IRSA and during July and November 2003, we purchased an additional 0.25 million Convertible Notes. The notes mature in 2007 and accrue interest semi-annually at 8% interest rate.

IRSA s Convertible Notes - which were offered on October 15, 2002 for 100 million units consisteing of U$S 100.0 of 8% convertible notes due 2007- are convertible at any time, at the option of the holder, into a fixed number of common shares. Once converted, the holder has the right to acquire an additional equal number of shares at the exercise price of the warrant.

In May 2004 we decided to exercise our option to convert 5.0 million aggregate principal amount of IRSA s Convertible Notes as part of our long term strategy, in order to revert the reduction of our ownership percentage, which was diluted by the conversion of notes and the exercise of warrants by third parties. As a result of this conversion, Cresud has received 9.2 million of IRSA common shares.

In July 2004, the Company purchased 0.35 million of convertible notes issued by IRSA for US$ 0.5 million.

On September 30, 2004, Cresud exercised 5.0 million of its IRSA Warrants for 9.2 ordinary shares at a total cost of US$ 6 million.

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As of November 30, 2005 we owned 21.1% of IRSA s common shares. Assuming we exercise our conversion rights of all our IRSA s Convertible Notes and no exercise of such rights by any of other IRSA s bondholders as of that date, we would own 33.3% of IRSA s common shares. In the case all bondholders exercise their conversion rights and we exercise them as well, we would own 30.6% of IRSA s common stock.

Assuming we exercise all of our IRSA s warrants and no other Bondholder exercises such rights, as of November 30, 2005, we would own 39.2% or IRSA s common shares. In the case all bondholders exercise their warrants and we exercise them as well, we would own 36.6% of IRSA s common stock.

C. INTERESTS OF EXPERTS AND COUNSEL

This section is not applicable.

Item 8. Financial information

A. CONSOLIDATED STATEMENTS AND OTHER FINANCIAL INFORMATION

See Item 18 for our Consolidated Financial Statements.

Legal or arbitration proceedings

We are not engaged in any material litigation or arbitration and no material litigation or claim is known to us to be pending or threatened against us.

IRSA s legal or arbitration proceedings

The following, is a description of the material legal proceedings to which IRSA is a party. IRSA is not engaged in any other material litigation or arbitration and no other material litigation or claim is known to IRSA to be pending or threatened against IRSA or its subsidiaries. Nevertheless, IRSA may be involved in other litigation from time to time in the ordinary course of business.

Puerto Retiro

On November 18, 1997, through the acquisition of the capital stock of the Old Alto Palermo (Alto Palermo S.A., currently Inversora Bolivar S.A.), which was a Pérez Companc s real estate subsidiary, IRSA indirectly acquired 35.2% capital stock of Puerto Retiro. The Old Alto Palermo had purchased such shares of Puerto Retiro from Redona Investments Ltd. N.V. in 1996. In addition, pursuant to the execution of several stock purchase agreements in May and June 1999, IRSA, through Inversora Bolívar S.A., increased IRSA s interest in Puerto Retiro up to 50% of its capital stock.

On April 18, 2000 Puerto Retiro received notice of a complaint filed by the Federal Government, through the Ministry of Defense, with the purpose of requiring the extension of the bankruptcy of Inversora Dársena Norte S.A. (Indarsa). Concurrently with the complaint, at the request of plaintiff, the bankruptcy court granted an order restraining the ability of Puerto Retiro to sell or dispose in any manner the real estate property purchased from Tandanor S.A. (Tandanor).

Indarsa had purchased 90% of the capital stock of Tandanor, a formerly government owned company privatized in 1991 and engaged in the shipyard industry, which owned a large piece of land near Puerto Madero of approximately 8 hectares, divided into two spaces: Planta 1 and 2. The property did not have (and still does not have) approved zoning established in the Urban Planning Code and no project can be currently developed.

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After the purchase of Tandanor by Indarsa, Tandanor sold to Puerto Retiro, Planta 1 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. The deed was executed in June, 1993.

Indarsa did not comply with the payment of the outstanding price for the purchase of the capital stock of Tandanor, and therefore the Ministry of Defense requested the bankruptcy of Indarsa. Since the only asset of Indarsa was its shareholdings in Tandanor, the Ministry of Defense is extending the bankruptcy to other companies or individuals which, according to its view, acted as an economic group, and therefore, requested the extension of the bankruptcy to Puerto Retiro which acquired Planta 1 from Tandanor.

On April 18, 2001, the judicial procedure entered into trial stage. At the present time, a provisional measure prohibiting changes and disposition of this building is still in effect. IRSA is currently awaiting the Court s ruling on this matter.

If the plaintiff s claim is favored by the court or by the court of appeals, such decision may cause a material adverse effect on IRSA s financial situation, since all of the assets of Puerto Retiro will be used to pay the debts incurred by Indarsa. The Company s investment in Puerto Retiro amoutns to Ps. 45.5 million as of June 30, 2005.

Llao Llao Holding S.A.

Llao Llao Holding S.A. purchased Hotel Llao Llao on November, 1997, from the National Parks Administration. Llao Llao Holding S.A. (in the process of dissolution due to the merger with IRSA), predecessor of Llao Llao Resorts S.A. was sued in 1997 by the National Parks Administration to obtain collection of the unpaid balance of the purchase price in Argentine sovereign debt securities amounting to US$ 2.87 million. The trial court ruled in favor of the plaintiff. The ruling was appealed, and the court of appeals confirmed the judgment, ordering the payment of US$ 2.87 million in Argentine sovereign debt securities available at the date of the ruling, plus accrued interest, compensatory and punitive interests and attorneys fees.

On March 2, 2004, IRSA made a payment deposit of Ps. 7.19 million with *Banco de la Ciudad de Buenos Aires* in favor of the National Parks Administration and deposited Argentine sovereign debt securities class FRB - FRB L+13/16 2005 for a total nominal value of US$ 4.12 million. The total amount settled on that date was Ps. 9.15 million.

The court served notice of payment made on the plaintiff. On June 30, 2004 the plaintiff filed a brief rejecting the payment as partial, and requested from the court a payment schedule for the final payment of the total debt.

The trial court pesified the plaintiff s credit and the plaintiff appealed this decision. The court of appeals ruled in favor of the plaintiff mantaining their credit in U.S. Dollars. IRSA has appealed this decision and the appellate court declared it inadmissible. IRSA appealed before the Supreme Court and is awaiting its decision.

A report of the legal advisors states that the balance remains unpaid and outlines that IRSA has deposited with the court the debt instruments determined in the unpaid balance, and an amount in cash of Ps. 7.19 million, whereas the unpaid balance approved in the court records was US$

3.78 million.

As of June 30, 2005 IRSA s management recorded a reserve in the amount of Ps. $ 3.77 million which was determined calculating the difference between the amount claimed for in concept of compensatory and punitive damages (US$ 3.8 million) and the amount deposited in payment ($7.19 million).

In September 2001 Llao Llao Resorts S.A. entered into an agreement with six of the plaintiff s attorneys by which IRSA agreed to pay them the amount of US$ 1.2 million in concept of fees which would be paid in twelve equal monthly installments of US$ 100,000 each to be deposited with Banco de la Ciudad de Buenos Aires. The first three installments were paid before the devaluation of the Peso and the following nine installments were paid in Pesos after the devaluation.

One of the six attorneys never challenged these payments. The remaining five attorneys filed a motion alleging that the amount agreed should have been paid in U.S. Dollars and not in Pesos and calculating the difference between the amounts paid in Pesos and the U.S. Dollar amount agreed in concept of fees which they understood amounted to US$ 384,000. In March 2005, at the request of two of the attorneys the court issued an order to attach the amount of Ps. 788,000 from IRSA s checking accounts. As of June 30, 2005 the attachment amounted to Ps. 861,000.

IRSA s legal advisors challenged the liquidation performed by these two plaintiffs for several reasons. Firstly, payments performed prior to the pesification, the three first installments, need not be readjusted because they were made when the Peso was at a 1 to 1 parity with the U.S. Dollar. Secondly, the interest claim made by the plaintiffs is unlawful and exorbitant. On December 2, 2005 the court resolved ordering the payment of the currency difference with regards to the last nine installments which would be calculated using the exchange rate in force at the time the deposits were made and rejecting the interest claim considering that the relief sought was already covered by the readjustment ordered. This court order may be appealed by the plaintiffs. As of June 30, 2005, in light of the probable contingency reported by IRSA s legal counsels its management has reserved the amount of Ps. 2.3 million.

IRSA is currently negotiating an out-of-court agreement with the remaining three attorneys. The liquidation presented by them includes the amount of US$ 288,112.35 in concept of capital applied to the currency difference between the payments made in Pesos and the original fee agreement and US$ 72,528.78 in concept of interest which results in a total amount of US$ 360,641.13. IRSA understands that they are willing to arrive at an agreement which could include an installment payment plan.

Shopping Neuquén S.A.

On July 6, 1999 APSA acquired 94.6% ownership of Shopping Neuquén S.A. for Ps. 4.2 million. APSA paid Ps. 0.9 million on September 1, 1999 and the remaining Ps. 3.3 million were originally scheduled to be paid on or before July 5, 2001 or at the completion of the construction of the shopping center, whichever happened first. APSA clarifies that said amounts are in Pesos according to the emergency legislation in force. See Item 3.D. Risks Factors . However, Shopping Neuquén S.A. s former shareholders have challenged the constitutionality of such legislation, and no final decision has been issued. As of November 30, 2005 the purchase price balance remains unpaid.

Shopping Neuquén S.A. s sole asset is a plot of land of approximately 50,000 square meters on which a shopping center is proposed to be built. The proposed project contemplates the building of a shopping center, a hypermarket, a hotel and a housing complex none of which have been commenced.

Legal issues with Shopping Neuquén S.A s former shareholders

On August 15, 2003 APSA was informed that the former shareholders of Shopping Neuquén S.A., who had a 85.75% interest, filed a complaint against APSA seeking recovery of the purchase price balance, interest and legal costs. In September 2003, APSA answered the complaint opposing several defenses such as, plaintiffs non-compliance with their duties under the contract and the pesification of the purchase price balance according to the emergency legislation. Moreover, APSA filed a counterclaim alleging there should be a readjustment of the effects of the contract which became excessively burdensome for unforeseeable reasons given the 2001 economic, social and political crisis. In November 2003 the plaintiffs replied to APSA s counterclaim alleging that the payment under the purchase agreement was overdue before the economic and social crisis emerged and thus APSA s contract readjustment claim was inadmissible. As of November 30, 2005 the trial is under discovery stage.

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Legal issues with the Municipality of Neuquén

In June 2001 Shopping Neuquén S.A. filed a request with the Municipality of Neuquén to extend the construction deadlines that had been originally scheduled. In addition, it requested authorization to convey certain plots of land to third parties so that each participant to the Neuquén project would be able to build on his own land. On December 20, 2002 the Municipality of Neuquén issued Decree 1437/02 denying both requests. In addition, it declared that the rights under Ordinance 5178 had lapsed and that the land purchase agreements would be terminated. As a result, the improvements already performed by Shopping Neuquén S.A. would be lost and accrued in favor of the Municipality of Neuquén, leaving Shopping Neuquén S.A. with no right to compensation.

On January 21, 2003 Shopping Neuquén S.A. submitted its response to the Decree 1437/02 requesting its revocation. It also requested permission to submit a new construction timetable, which would be prepared in accordance with the current situation of the project, including reasonable short and medium term projections. The Municipal Executive issued Decree 585/2003 rejecting this. On June 25, 2003 Shopping Neuquén S.A. filed an administrative action with the Supreme Court of Neuquén requesting the annulment of Decrees 1437/2002 and 585/2003. On December 21, 2004, the Supreme Court of Neuquén ruled in favor of the Municipality of Neuquén, declaring that the administrative action filed by Shopping Neuquén S.A. had expired. The decision, however, is not final. APSA filed an appeal but the Supreme Court of Neuquén has not yet issued a decision with regards to its admissibility. If the appeal is declared admissible the Federal Supreme Court will give a final decision, but if it is declared inadmissible APSA will file an appeal directly with the Federal Supreme Court.

Shopping Neuquén S.A. is currently seeking to negotiate with the Municipality of Neuquén the terms of an agreement that might permit reactivation of the proposed development. Nevertheless, APSA cannot give you any assurance that APSA will be able to achieve such an agreement on commercially reasonable terms, if at all, and if APSA cannot, the Municipality of Neuquén would be entitled to request the restitution of the property and APSA will likely lose all or substantially all of its investment which amounts to Ps. 10 million.

APSA maintains a provision of Ps. 2.3 million which represents APSA s best estimate of the probable loss to be incurred in connection with these claims. APSA is involved in other litigation which derives from the ordinary course of its business. APSA accrues liabilities when it is probable that future costs will be incurred and such costs can be reasonably estimated. Such accruals are based on developments to date, APSA s estimates of the outcomes of these matters and the lawyers experience in contesting, litigating and settling similar matters. As the scope of the liabilities becomes better defined, there will be changes in the estimates of future costs, which could have a material effect on APSA s future results of operations and financial condition or liquidity.

Dividend policy

Pursuant to Argentine law, the distribution and payment of dividends to shareholders is valid only if they result from realized and net earnings of the Company pursuant to annual financial statements approved by the shareholders. 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 shares entitled to vote at the meeting.

In accordance with Argentine law and our by-laws, net and realized profits for each fiscal year shall be distributed as follows:

- 5% of such net profits to our legal reserve, until such reserve amounts to 20% of our capital stock;

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a certain amount determined at a shareholders meeting is allocated to compensation of our directors and the members of our Supervisory Committee;

dividends, additional dividends to preferred shares if any, or to optional reserve funds or contingency reserves or to a new account, or for whatever purpose the shareholders meeting determines; and

the right of holders of American Depositary Shares is equal to the ordinary shares. Each of our American Depositary Shares represents 10 ordinary shares.

In the past, we paid dividends in cash with an average of Ps. 0.0488 per share. At our shareholders meeting held on October 23, 1998, our shareholders approved the distribution of 8.0 million treasury shares to be distributed pro rata among our shareholders indicated in the table below as cash dividends. As the result of the year ended June 30, 2002 was a Ps. 39.6 million loss (stated in historic pesos), the shareholders meeting resolved not to distribute dividends for such year.

The shareholders meeting held on November 29, 2005 approved the distribution of a cash dividend of Ps. 10.0 million, or Ps. 0.0591 per share (0.59 per ADS), previous deduction of 5% of our legal reserve.

The following table sets forth the dividend payout ratio and the amounts of total dividends paid on each fully paid share of common stock each year since 1995. Amounts in Pesos are presented in historical Pesos as of the respective payment dates. See Exchange Rates .

Year declared	**Total per share**
	(Pesos)
1995	
1996	
1997	
1998	0.099
1999	0.092
2000	0.011
2001	0.030
2002	
2003	0.012
2004	0.020
2005	0.059

(1) Corresponds to per share payments. To calculate the dividends paid per ADS, the payment per share should be multiplied by ten. Amounts in Pesos are presented in historical Pesos as of the respective payment date. See Exchange Rates . Although we hope to distribute cash dividends in the future, we cannot assure you that we will be able to do it.

B. SIGNIFICANT CHANGES

In September 2005, we purchased a 6,022-hectare farm located in the Province of Entre Ríos, with significant agriculture potential. As additional features, this farm possesses a subterraneous fresh water reserve and tourist attractions, which include 30 rooms, a 200-hectare park surrounding and an historic 160-year-old homestead.

On November 29, 2005, at the Ordinary and Extraordinary Shareholder s Meeting, the shareholders approved the distribution of cash dividends for a total amount of Ps. 10 million or Ps. 0.059137271 per common share of nominal value Ps. 1.00 each. The cash dividends were distributed on December 22, 2005.

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As of December 23, 2005, 12,990,152 Convertible Notes were converted into 25,581,198 ordinary shares. During the same period, 9,766,282 warrants were exercised, resulting in the issuance of 19,232,507 ordinary shares. As of December 23, 2005 169,098,097 shares were outstanding.

Item 9. The offer and the listing

A. INFORMATION ON THE LISTING OF OUR STOCK

The following summary provides information concerning our share capital and briefly describes all material provisions of our by-laws and the Argentine Corporation Law 19,550.

Stock Exchanges in which our securities are listed

Our common shares are listed on the Buenos Aires Stock Exchange and NASDAQ.

Our authorized capital stock consists of 169,098,097 shares of common stock, Ps. 1.0 par value per share.

As of November 30, 2005, our outstanding capital stock consisted of 169,098,097 shares of common stock. As of that date (1) we had no other shares of any class or series issued and outstanding and (2) we had 37,009,848 convertible Notes and 40,233,718 warrants outstanding.

The common stock has one vote per share. All outstanding shares of the common stock are validly issued, fully paid and non assessable. As of November 30, 2005, there were approximately 1,230 holders of all of our common stock.

The description of the material terms of our capital stock is subject to our certificate of incorporation and by-laws, which are included as exhibits this Form 20-F forms a part, and the provisions of applicable Argentine law.

Price history of our stock on the *Buenos Aires Stock Exchange*

Our common shares are listed and traded on the Buenos Aires Stock Exchange under the trading symbol CRES . Our shares began trading on the Buenos Aires Stock Exchange on December 12, 1960. The following table shows, for the calendar periods indicated, the high and low closing sales price of our common shares on the Buenos Aires Stock Exchange. On November 30, 2005, the closing price for our common shares on the Buenos Aires Stock Exchange was, approximately, Ps. 3.25 per share.

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	Share Price in Pesos	
	High	Low
Fiscal Year		
2005	5.00	2.93
2004	4.51	2.23
2003	2.80	1.52
2002	2.35	0.64
2001	1.05	0.76
Fiscal Quarter		
2005		
4th quarter	4.10	2.93
3rd quarter	5.00	3.86
2nd quarter	4.47	3.49
1st quarter	3.70	3.01
2004		
4th quarter	3.62	2.48
3rd quarter	3.95	2.90
2nd quarter	4.51	2.65
1st quarter	2.79	2.23
2003		
4th quarter	2.74	2.10
3rd quarter	2.80	1.75
2nd quarter	2.42	1.75
1st quarter	2.50	1.52
2005		
June	3.67	3.40
July	3.50	3.23
August	3.49	3.26
September	4.10	3.41
October	4.00	3.10
November	3.38	3.16

Source: Bloomberg.

Price history of our stock on Nasdaq National Market

Each of our American Depositary Shares represents 10 ordinary shares. Our American Depositary Shares are listed and traded on the Nasdaq National Market under the trading symbol CRESY . Our ADSs began trading on the Nasdaq in March 1997 and were issued by the Bank of New York Inc., acting as ADS Depositary. The following table sets forth, for the calendar periods indicated, the high and low closing sale prices of our ADSs on the Nasdaq. On November 30, 2005, the closing price for our ADSs on the Nasdaq was, approximately US$ 10.60 per ADS.

	U.S. dollars per ADS	
	High	Low

Fiscal Year		
2005	17.15	9.94
2004	16.20	7.82

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	U.S. dollars per ADS	
	High	Low
2003	10.00	4.10
2002	10.10	5.18
2001	10.50	7.50
Fiscal Quarter		
2005		
4th quarter	13.97	9.94
3rd quarter	17.15	13.15
2nd quarter	15.30	11.46
1st quarter	12.41	10.01
2004		
4th quarter	12.99	8.50
3rd quarter	13.67	9.61
2nd quarter	16.20	8.86
1st quarter	10.12	7.82
2003		
4th quarter	10.00	6.80
3rd quarter	8.63	5.20
2nd quarter	6.25	4.60
1st quarter	6.70	4.10
2005		
June	12.58	11.81
July	12.18	11.30
August	12.37	11.28
September	14.20	11.77
October	13.93	10.29
November	11.50	10.40

Source: Bloomberg.

B. PLAN OF DISTRIBUTION

This item is not applicable.

C. MARKETS

Argentine Securities Markets

The *Comisión Nacional de Valo*res is a separate governmental entity with jurisdiction covering the territory of the Republic of Argentina. Its main purpose is to ensure transparency of Argentina s securities markets, to watch over the market price formation process and to protect investors. The *Comisión Nacional de Valo*res supervises corporations authorized to issue securities to the public, the secondary markets where these securities are traded, and all persons and corporations involved in any capacity in the public offering and trading of these securities. Pension funds and insurance companies are regulated by separate government agencies. The Argentine markets are governed generally by Law No. 17,811, as amended, which created the *Comisión Nacional de Valo*res and regulates stock exchanges, stockbrokers, market operations and the public offerings of securities. There is a relatively low level of regulation of the market for Argentine securities and of investors activities in such market, and enforcement of existing regulatory provisions has been extremely limited. Furthermore, there may be less publicly available information about Argentine companies than is regularly published by or about companies in the United States and certain other countries. However, the Argentine government and the *Comisión Nacional de Valo*res, taking into consideration the deeper global awareness of the importance of having adequate corporate governance practices and a legal framework to enforce principles such as full information, and transparency, have issued decree No. 677/2001. This decree has the objective of determining the rights of the financial consumer , increasing market transparency and an adequate legal framework to increase the investor s protection within the capital market. Most of its reforms are in line with world trends pertaining to corporate governance practices that have already been adopted by many emerging markets.

In order to offer securities to the public in Argentina, an issuer must meet certain requirements of the *Comisión Nacional de Valo*res regarding assets, operating history, management and other matters, and only securities for which an application for a public offering has been approved by the *Comisión Nacional de Valo*res may be listed on the Buenos Aires Stock Exchange. This approval does not imply any kind of certification or assurance related to the merits or the quality of the securities, or the issuer s solvency. Issuers of listed securities are required to file unaudited quarterly financial statements and audited annual financial statements, as well as various other periodic reports, with the *Comisión Nacional de Valo*res and the Buenos Aires Stock Exchange.

There are 10 securities exchanges in Argentina, of which the principal exchange for the Argentine securities market is the Buenos Aires Stock Exchange, which handles approximately 99% of all equity trading in the country.

The Buenos Aires Stock Exchange is a complex, non-profit and self-regulated organization. Various markets require different self-organizations of brokers within the Buenos Aires Stock Exchange, which is one of its particular characteristics. The most important and traditional of such markets is Mercado de Valores S.A. (MERVAL).

The securities that may be listed on the Buenos Aires Stock Exchange are: Stocks, Corporate Bonds, Convertible Corporate Bonds, Close-ended Investment Funds, Financial Trust, Indexes, Derivatives and Public Bonds. The Buenos Aires Stock Exchange is legally qualified for admission, suspension, and delisting of securities according to its own rules approved by the *Comisión Nacional de Valo*res. Furthermore, the Buenos Aires Stock Exchange works very closely with the *Comisión Nacional de Valo*res in surveillance activities. Also under a special agreement, registration and listing applications are directly filed with the Buenos Aires Stock Exchange for simultaneous processing.

The MERVAL is a self-regulated incorporated business organization. The capital stock of such entity is divided into 133 stocks, the holders of which (natural or artificial persons) are thereby entitled to act as individual brokers or brokerage firms; i.e. to execute securities purchase and sale transactions in their own name and on behalf of third parties. Brokers receive a commission for their services.

The primary functions of the MERVAL are concerned with the settlement, surveillance and guarantee of market trades. This entity is also qualified to take disciplinary actions against individual brokers or brokerage firms who might violate the statutory rules, and/or the rules and regulations governing the Argentine Stock Market System.

Furthermore, the MERVAL regulates, coordinates and implements each and every aspect connected with stock exchange trading, types of securities, market mechanisms, terms and conditions of payment, and the like. Jointly with the Buenos Aires Stock Exchange, the MERVAL has implemented the stock-watch mechanism.

The MERVAL counts with a trading mechanism applicable to corporate securities and government bonds called Concurrent Market, where trades are executed screen-based or in the

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traditional open out-cry mode on the floor of the Buenos Aires Stock Exchange in an automated order-matching system. The MERVAL guarantees the settlement of all trades executed in the Concurrent Market.

Also trades on government and corporate bonds may be executed on the Continuous Trading Session (with or without MERVAL s settlement guarantee).

The cash mechanism (standard maturity) in the Concurrent Market admits the following operating forms:

- Automated trade execution based on orders entered from work-stations from the computer system called *Sistema Integral de Negociación Asistida por Computadora* or through open out-cry Floor-trade order slips.
- Open out-cry Floor-trade executions are subsequently inputted through order slips.

Open out-cry trades are executed pursuant to the rules applicable to traditional floor trading. Automated-execution trades based on the offers are carried out according to the rules of the electronic system. Both executions entail the registration of trades in a unique price-volume structure, and both modes of entering the system feed a unique order structure per issue.

Among the main features of the open out-cry mechanism carried out on the Floor, the following are highlighted:

- trades are executed open out-cry;
- they are perfected through the preparation of order slips; and
- the best-offer rule applies and as in the electronic system, it open out-cry the MERVAL settlement guarantee.

Block trading is allowed in a minimum amount of Ps. 0.2 million for leader companies which are listed on the leader panel of the Buenos Aires Stock Exchange, and Ps. 0.1 million for the companies listed on the general panel of the Buenos Aires Stock Exchange. Block trading takes place on the floor of the Buenos Aires Stock Exchange and is conducted in Spanish by continuous open outcry. Transactions of more than Ps. 1.0 million are announced on the floor and are put on stand by for approximately 30 minutes. For transactions of more than Ps. 5.0 million, a certificate of the units from *Caja de Valores S.A.* is additionally required.

As to the electronic system, its outstanding characteristics are:

- trades are executed based on bids and offers entered in work-stations, i.e. computers linked to the Stock Exchange information network;

- trades are executed automatically; and

- offers are recorded as per price-time priority, privileging the best of them.

These trades have the MERVAL guarantee.

Brokers and brokerage firms may trade in this segment, either by buying or selling government and corporate bonds for their own account, executing trades with another broker or brokerage firm or any other intermediary, by means of direct negotiations. In this system the best-offer rule does not apply and traders´ compensations as well as stock market and stock exchange fees are implicit in the price agreed upon.

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Trades must be reported in real-time for their dissemination, registration and publication. Counterpart trades are settled by MERVAL, and may be channeled through the guaranteed or the non-guaranteed segment.

Over the Counter Market, MAE

The Electronic Open Market (*Mercado Abierto Electrónico, or* MAE) is an exchange organized under the laws of the Argentine Republic, which operates as a self-regulatory organization under the supervision of the *Comisión Nacional de Valo*res.

The MAE works as an electronic environment to process Over The Counter transactions. It is an electronic exchange where both government securities and corporate bonds are traded through spot and forward contracts.

MAE has 90 brokers/dealers members, which include national banks, provincial banks, municipal banks, private national banks, foreign banks, cooperative banks, financial institutions, foreign exchange entities and pure brokers/dealers (exclusively engaged in brokerage activities). Both Argentine or foreign capital banks and financial institutions may be MAE s brokers/dealers.

Securities to be traded must be registered with the pertinent supervising authorities and may be traded in MAE, in other exchanges or in both of them concurrently.

Securities Central Depositary, Caja de Valores S.A.

Caja de Valores S.A. is a corporation, totally private, which acts as central depositary of public bonds and private securities. It was established in 1974 by Act 20,643, and it is supervised by the *Comisión Nacional de Valo*res.

Those authorized to make deposits of securities with the *Caja de Valores S.A.* are stockbrokers, banking financial institutions, and mutual funds.

The majority shareholders of the *Caja de Valores S.A.* are the Buenos Aires Stock Exchange and the *Mercado de Valores de Buenos Aires S.A.* (49.98% each).

Information regarding the *Buenos Aires Stock Exchange*

	As of June 30,	As of December 31,

	2005	2004	2003	2002
Market capitalization (Ps. Billon)	672.4	689.9	542.4	348.0
Average daily trading volume (Ps. Million)	68.8	52.6	34.0	17.7
Number of listed companies	106	107	110	114

Although companies may list all of their capital stock on the Buenos Aires Stock Exchange, in many cases a controlling block is retained by the principal shareholders resulting in only a relatively small percentage of many companies stock being available for active trading by the public on the Buenos Aires Stock Exchange.

As of June 30, 2005, approximately 106 companies had equity securities listed on the Buenos Aires Stock Exchange. As of June 30, 2005, approximately 15.47% of the total market capitalization of the Buenos Aires Stock Exchange was represented by the securities of ten national companies.

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The Argentine securities markets are substantially more volatile than the securities markets in the United States and certain other developed countries. The MERVAL experienced a 13% increase in 1995, a 25% increase in 1996, a 6% increase in 1997, a 37% decrease in 1998, a 28% increase in 1999, a 24% decrease in 2000, a 29% decrease in 2001, a 78% increase through September 30, 2002, measured in Pesos, and a 77% increase through October 31, 2003, a 38% increase through October 29, 2004, and a 33.09% increase through October 24, 2005 also measured in Pesos. To control volatility, the Buenos Aires Stock Exchange operates a system by which trades of an issuer s stock are suspended for one-half hour when such issuer s share price changes by more than 10% from its opening price.

Nasdaq Stock Market

Our ADSs are listed and traded in the Nasdaq Stock Market under the trading symbol CRESY .

D. SELLING SHAREHOLDERS

This section is not applicable.

E. DILUTION

This section is not applicable.

F. EXPENSES OF THE ISSUE

This section is not applicable.

Item 10. Additional information

A. SHARE CAPITAL

This section is not applicable.

B. MEMORANDUM AND ARTICLES OF ASSOCIATION

Our Corporate Purpose

Our legal name is Cresud Sociedad Anónima Comercial, Inmobiliaria, Financiera y Agropecuaria. We were incorporated under the laws of Argentina on December 31, 1936 as a sociedad anónima (stock corporation) and were registered with *Public Registry of Commerce* on February 19, 1937 under number 26, on page 2, book 45 of National by-laws Volume. Pursuant to our by-laws, our term of duration expires on July 6, 2082.

Pursuant to article 4 of our by-laws our purpose is to perform the following activities:

Commercial activities with respect to cattle and products pertaining to farming and animal husbandry;

Real estate activities with respect to urban and rural properties;

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Financial activities, except for those regulated by Law 21,526 of financial entities;

Farming and animal husbandry activities, for properties owned by us or by third parties; and

Agency and advice activities for which there is not required a specific qualifying title.

Board of directors

Voting of proposals in which directors have material interest

The Argentine Corporation Law No. 19,550 establishes in Section 271 that directors may contract with the Company when the contract is related to the regular activities of the Company and its terms and conditions are established on market terms. All other contracts with directors must be approved by the shareholders.

Notwithstanding that, Section 272 of the Corporations Law No. 19,550 provides that when a director has a conflict of interest with the company, he should notify the board of directors and the Supervisory Committee and refrain to vote on that matter. The violation of this provision results in the director being jointly, severally and unlimitedly liable.

Approval of compensation of directors and Supervisory Committee

Our by-laws do not establish the compensation to be paid to members of the board of directors and the supervisory committee. Therefore pursuant to Section 261 of the Corporation Law No. 19,550, it must be approved by the shareholders. The maximum amount that may be paid as compensation to members of the board of directors may not exceed 25% of the realized and net earnings of the Company and 5% when there is no distribution of dividends. If the Company does not distribute the total earnings, the amount of the compensation should be proportional to that distribution and within the mentioned limits. These limits may only be surpassed by express approval of the shareholders.

Borrowing Powers of directors

Our by-laws establish, in Section 18, that the board of directors has full and broad powers to organize, manage and direct Cresud, in fulfilling its corporate purpose.

In case one of our directors borrowed from us, the matter would be subject to the requirements described above for transactions in which directors have material interest.

Retirement of directors

Our by-laws do not establish any requirements or provisions regarding age limits for directors retirement.

Rights, preferences and restrictions attaching to our shares

Dividend rights

The Corporations Law No. 19,550 establishes that the distribution and payment of dividends to shareholders is valid only if dividends result from realized and net earnings of the Company pursuant to the annual financial statements approved by the shareholders. The approval, amount and payment of dividends are subject to the approval of the Annual Ordinary Shareholders Meeting. That approval requires the affirmative vote of the majority of the shares present at the meeting with the right to vote.

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Dividends are paid pro rata according to the interests held by shareholders.

Under applicable *Comisión Nacional de Valo*res regulations, cash dividends must be paid to shareholders within 30 days of the decision approving their distribution. In the case of stock dividends, shares are required to be delivered within three months of the shareholders meeting approving the dividend. The right to collect dividends expires three years after the dividends were made available to shareholders.

To the extent that we declare and pay dividends on our stock, owners of ADSs on the relevant record date will be entitled to receive any dividends payable in respect of the common stock underlying the ADSs. Cash dividends will be paid in Pesos and, except in certain circumstances, will be converted by the Depositary into U.S. Dollars at the prevailing exchange rate on the date of conversion and paid to the owners of the ADSs net of any applicable dividend distribution fees, costs, and expenses of conversion, taxes and governmental charges.

The shareholders meeting may authorize payment of dividends on a quarterly basis provided no applicable regulations are violated. In that case, all and each of the members of the board of directors and the Supervisory Committee will be jointly, severally and unlimitedly liable for the refund of those dividends if, as of the end of the respective fiscal year, the realized and net earnings of the Company are not sufficient to allow the payment of dividends.

Voting rights and Staggered Elections

Our capital stock is composed of book-entry common shares with par value of Ps. 1 per share and entitled to one vote each.

All directors and alternate directors are elected for a three-year term.

Our by-laws do not consider staggered elections.

Rights to share in our profits

The holders of our common shares have the right to participate in our net and realized profits on a pro rata basis.

Pursuant to the Corporation Law No. 19,550 and Section 29 of our by-laws, liquid and realized profits of each fiscal year shall be distributed as follows:

- 5% of such net profits to legal reserve, until the amount of such reserve equals 20% of the capital stock;

the amount established by the shareholders meeting as remuneration of the board of directors and the Supervisory Committee;

dividends, additional dividends to preferred shares if any, or to optional reserve funds or contingency reserves or to a new account, or for whatever purpose the shareholders meeting determines.

Rights to share in any surplus in the event of liquidation

Section 30 of our by-laws determine that, in the event of our liquidation, dissolution or winding-up, the assets (i) will be applied to satisfy liabilities and (ii) will be proportionally distributed among holders of preferred stock if there are any and in accordance with the terms of the preferred stock. If any surplus remains, the holders of common shares are entitled to receive and share on a pro rata basis in all net assets remaining for distribution.

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Procedure to change the rights of holders of our stock

The rights of holders of our stock are established in the Corporation Law No. 19,550 and in our by-laws. The rights of shareholders provided for by the Corporation Law No. 19,550 may not be diminished by the by-laws. Section 235 of the Corporation Law No. 19,550 establishes that the amendment of the by-laws should be approved by the shareholders of the Company at an Extraordinary Shareholders Meeting.

On October 31, 2003 the Company resolved in the Ordinary and Extraordinary Annual Shareholders Meeting not to adhere to the Régimen Estatutario Optativo de Oferta Pública de Adquisición Obligatoria (Optional Statutory Body of Public Offering of Compulsory Acquisition) provided under Decree No. 677/2001, and consequently, shareholders decided to incorporate that provision under section 1 of the by-laws.

Ordinary and extraordinary shareholders meeting

General

Shareholders meetings may be ordinary or extraordinary. We are required to hold an ordinary shareholders meeting within four months of the close of each fiscal year to consider the approval of our financial statements, the allocation of net income for the fiscal year, the approval of the reports of the Board of Directors and the statutory audit committee and the election and remuneration of directors and members of the statutory audit committee. Other matters which may be considered at an ordinary meeting include the responsibility of directors and members of the statutory audit committee, capital increases and the issuance of certain corporate bonds. Extraordinary shareholders meetings may be called at any time to consider matters beyond the authority of an ordinary meeting, including amendment of the by-laws, issuance of debentures, early dissolution, merger, spinoff, reduction of capital stock and redemption of shares, changing our company from one type of legal entity to another and limitation of shareholders preemptive rights.

Notices

Notice of shareholders meetings must be published for five days in the Official Gazette of the Republic of Argentina, in an Argentine newspaper of wide circulation and in the publications of Argentine exchanges or securities markets in which our shares are traded, at least ten days prior to the date on which the meeting is to be held as per Argentine Companies Law, and at least 20 days prior to the meeting as per Decree No. 677/01. The notice must include information regarding the type of meeting to be held, the date, time and place of the meeting and the agenda. If there is no quorum at the meeting, notice for a meeting on second call must be published for three days, at least eight days before the date of the second meeting, and must be held within 30 days of the date for which the first meeting was called. The first call and second call notices may be effected simultaneously in order for the meeting on second call to be held on the same day as the meeting on first call, but only in the case of ordinary shareholders meetings. Shareholders meetings may be validly held without notice if all shares of our outstanding capital stock are present and resolutions are adopted by unanimous vote.

The Board of Directors will determine appropriate publications for notice outside Argentina in accordance with requirements of jurisdictions and exchanges where our shares are traded.

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Quorum and Voting Requirements

The quorum for ordinary meetings of shareholders on first call is a majority of the shares entitled to vote, and action may be taken by the affirmative vote of an absolute majority of the shares present that are entitled to vote on such action. If a quorum is not available, a second call meeting may be held at which action may be taken by the holders of an absolute majority of the shares present, regardless of the number of such shares. The quorum for extraordinary shareholders meeting on first call is sixty percent of the shares entitled to vote, and if such quorum is not available, a second call meeting may be held, for which there are no quorum requirement.

Action may be taken at extraordinary shareholders meetings by the affirmative vote of an absolute majority of shares present that are entitled to vote on such action, except that the approval of a majority of shares with voting rights, without application of multiple votes, is required in both first and second call for: (1) the transfer of our domicile outside Argentina, (2) a fundamental change of the corporate purpose set forth in the by-laws, (3) our anticipated dissolution, (4) the total or partial repayment of capital, (5) a merger of our company, if we are not the surviving entity, (6) a spinoff of our company, or (7) changing our corporate legal status.

Shareholders meetings may be called by the Board of Directors or the members of the statutory audit committee whenever required by law or whenever they deem it necessary. Also, the board or the members of the statutory audit committee are required to call shareholders meetings upon the request of shareholders representing an aggregate of at least five percent of our outstanding capital stock. If the board or the statutory audit committee fail to call a meeting following this request, a meeting may be ordered by the CNV or by the courts. In order to attend a meeting, a shareholder must deposit with us a certificate of book-entry shares registered in its name and issued by Caja de Valores at least three business days prior to the date on which the meeting is to be held. A shareholder may be represented by proxy. Proxies may not be granted to directors, members of the statutory audit committee or officers or employees of our company.

Conflict of Interest

A shareholder who votes on a matter involving our company in which its interest conflicts with ours may, under Argentine law, be liable for damages to us resulting from its decision, but only if the transaction would not have been approved without its vote.

Limitations to own securities by non-resident or foreign shareholders

There are no legal limitations on the ownership of securities or exercise of voting rights, by non-resident or foreign shareholders. However, there are certain requirements to be fulfilled by foreign shareholders with the *Public Registry of Commer*ce in order to assure that they will be able to properly exercise their voting rights. General Resolution No. 7 passed in September 2003 by the *Public Registry of Commer*ce , and other related regulations set forth certain requirements for foreign entities registered with the *Public Registry of Commer*ce . It implies, among other requirements, disclosure of information related to their proprietary interests in assets located outside Argentina to be at least equivalent in value to those located inside Argentina. The entities must comply with these requirements in order to (1) perform activities on a regular basis through their Argentine branches (Section 118 Argentine Corporation Law), or (2) exercise their ownership rights in Argentine companies (Section 123 Argentine Corporation Law). In cases where the *Public Registry of Commer*ce has concluded that the entities (a) do not have assets outside Argentina; or (b) have non-current assets that are not materially significant compared to those non-current assets which are owned by them and located in Argentina; or (c) the entity s address in Argentina becomes the place where this entity makes a majority of its decisions, corporate or otherwise, the entities may be required to amend and register their by-laws to comply with Argentine law, thereby becoming an Argentine entity subject to Argentine law according to Section 124 of Argentine Corporations Law. In addition, Argentine companies with shareholders consisting of such entities that fail to comply with these requirements may be subject to the following sanctions: (1) the

Public Registry of Commerce may not register corporate decisions adopted by the Argentine company when its off-shore shareholder votes as a shareholder and when that vote is essential in attaining a majority and any decisions made pursuant to such vote related to the approval of its annual balance sheet may be declared null and void for administrative purposes; (2) whether or not the vote of the off-shore entity is necessary for purposes of determining quorum or majority, the *Public Registry of Commerce* may register the decision without considering that vote; and (3) the directors of the Argentine company may be held personally liable for actions taken by the Argentine company.

Ownership threshold above which ownership should be disclosed

The *Comisión Nacional de Valo*res regulations require that transactions, which cause a person s holdings of capital stock of a registered Argentine company, to hold 5% or more of the voting power, should be immediately notified to the *Comisión Nacional de Valo*res. Thereafter, every change in the holdings that represents a multiple of 5% of the voting power should also be notified.

Directors, senior managers, executive officers, members of the Supervisory Committee, and controlling shareholders of an Argentine company whose securities are publicly offered, should notify the *Comisión Nacional de Valo*res on a monthly basis, their beneficial ownership of shares, debt securities, and call and put options related to securities of such companies and their controlling, controlled or affiliated companies.

Further, the *Comisión Nacional de Valo*res must be immediately notified of transactions which cause a person s holdings of capital stock of an Argentine company whose securities are publicly offered to hold 5% or more of the voting power and every change in the holdings that represents a multiple of 5% of the voting power. Holders of more than 50% of the common shares or who otherwise control decision making in shareholders meetings, as well as directors, officers and members of the Supervisory Committee, must provide the *Comisión Nacional de Valo*res with annual reports of their holdings in the capital stock of such companies and monthly reports of any change in their holdings.

Compliance with NASDAQ listing standards on corporate governance

Cresud corporate governance practices are governed by the applicable Argentine law; particularly, the Corporations Law No. 19,550, Decree N°677/01 and the Standards of the *Comisión Nacional de Valores*, as well as by its corporate by-laws.

Cresud has securities that are registered with the Securities and Exchange Commission and are listed on the NASDAQ Stock Market (the NASDAQ), and is therefore subject to corporate governance requirements applicable to NASDAQ-listed non-US companies (a NASDAQ-listed company).

Pursuant to Nasdaq Marketplace Rule 4350(a), NASDAQ-listed non-US companies that are categorized as Foreign Private Issuers and may follow home country corporate governance practice in lieu of the requirements of Rule 4350, provided that the foreign private issuer complies with certain mandatory sections of Rule 4350, discloses each requirement of Rule 4350 that it does not follow and describes the home country practice followed in lieu of such requirement.

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The requirements of Rule 4,350 and the Argentine corporate governance practice that the Company follows in lieu thereof are described below:

NASDAQ Standards for US companies	CRESUD S CORPORATE PRACTICES
Rule 4350(b)(1)(A) - Distribution of Annual and Interim Reports.	In lieu of the requirements of Rule 4350(b)(1)(A), the Company follows Argentine law, which requires that companies issue publicly a Spanish language annual report, including annual audited consolidated financial statements prepared in accordance with generally accepted accounting principles in Argentina, by filing such annual report with the *Comisión Nacional de Valores* and the Buenos Aires Stock Market, within 70 calendar days following the close of the Company s fiscal year. Interim reports must be filed with the *Comisión Nacional de Valores* and the Buenos Aires Stock Market within 42 calendar days following the close of each fiscal quarter. The Buenos Aires Stock Market publishes the annual reports and interim reports in the Buenos Aires Stock Market Bulletin and makes the bulletin available for inspection at its offices. In addition, we provide our shareholders of annual and interim financial reports upon such shareholders request. English language translations of our annual reports and interim reports are filed with the SEC on Form 20-F and Form 6K, respectively. The Company also sends the English language translation of its annual report and quarterly press releases related to the interim financial and operating results to the *Comisión Nacional de Valores* which posts them on its website. Furthermore, under the terms of the Deposit Agreement, dated as of April 21, 1997 amended by the Letter Agreement dated March 3, 2003, among the Company, The Bank of New York, as depositary, and owners of ADSs issued thereunder, the Company is required to furnish The Bank of New York with, among other things, English language translations of its annual reports. Annual reports are available for inspection by ADR holders at the offices of The Bank of New York located at, 101 Barclay Street, 22nd Floor, New York, New York. Finally, Argentine law requires that 20 calendar days before the date of a shareholders meeting, the board of directors must provide to the shareholders, at the Company s executive office or through electronic means, all information relevant to the shareholders meeting, including copies of any documents to be considered by the shareholders (which includes the annual report).
Rule 4350(c)(2) - Executive Sessions of the board of directors.	In lieu of the requirements of Rule 4350(c)(2), the Company follows Argentine law which does not require independent directors to hold regularly scheduled meetings at which only such independent directors are present (i.e., executive sessions). The Company s board of directors as a whole is responsible for monitoring the Company s affairs. In addition, under Argentine law, the

NASDAQ Standards for US companies	CRESUD S CORPORATE PRACTICES
	board of directors may approve the delegation of specific responsibilities to designated directors or non-director managers of the Company. Also, it is mandatory for public companies to form a supervisory committee (composed of syndics) which is responsible for monitoring legal compliance by the Company under Argentine law and compliance with its bylaws. Finally, our audit committee has regularly scheduled meetings and, as such, such meetings will serve a substantially similar purpose as executive sessions.
Rule 4350(c)(4) - Nomination of directors.	In lieu of the requirements of Rule 4350(c)(4), the Company follows Argentine law which requires that directors be nominated directly by the shareholders at the shareholders meeting and that they be selected and recommended by the shareholders themselves. Under Argentine law, it is the responsibility of the ordinary shareholders meeting to appoint and remove directors and to set their compensation.
Rule 4350(d)(1) - Audit Committee Charter.	In lieu of the requirements of Rule 4350(d)(1), the Company follows Argentine law which requires that audit committees have a charter but does not require that companies certify as to the adoption of the charter nor does it require an annual review and assessment thereof. Argentine law instead requires that companies prepare a proposed plan or course of action with respect to those matters which are the responsibility of the Company s audit committee. Such plan or course of action could, at the discretion of our audit committee, include a review and assessment of the audit committee charter. We believe that we are in compliance with the requirements for audit committee charters provided for in the Sabarnes Oxley Act.
Rule 4350(d)(2) - Audit Committee Composition.	Argentine law does not require that companies have an audit committee comprised solely of independent directors and it is equally not customary business practice in Argentina to have such a committee. Argentine law instead requires that companies establish an audit committee with at least three members comprised of a majority of independent directors as defined by Argentine law. Nonetheless, although not required by Argentine law, the Company has a three member audit committee comprised of entirely independent directors, as independence is defined in Rule 10(A)-3(b)(1), one of which the Board has determined to be an audit committee financial expert. In addition, the Company has a supervisory committee

NASDAQ Standards for US companies	CRESUD S CORPORATE PRACTICES
	(*comisión fiscalizadora*) composed of three syndics which are in charge of monitoring the legality, under Argentine law, of the actions of our board of directors and the conformity of such actions with our by-laws.
Rule 4350(f) - Quorum.	In lieu of the requirements of Rule 4350(f), the Company follows Argentine law and our by-laws, which distinguish between ordinary meetings and extraordinary meetings and require, in connection with ordinary meetings, that a quorum consist of a majority of stock entitled to vote. If no quorum is present at the first meeting, a second meeting may be called at which the shareholders present, whatever their number, constitute a quorum and resolutions may be adopted by an absolute majority of the votes present. Argentine law, and our by-laws, require in connection with extraordinary meetings, that a quorum consist of 60% of the stock entitled to vote. However, if such quorum is not present at the first meeting, our by-laws provide that a second meeting may be called which may be held with the number of shareholders present. In both ordinary and extraordinary meetings, decisions are adopted by an absolute majority of votes present at the meeting, except for certain fundamental matters (such as mergers and spin-offs (when the Company is not the surviving entity and the surviving entity is not listed on any stock exchange), anticipated liquidation, change in its domicile outside of Argentina, total or partial recapitalization of its statutory capital following a loss, any transformation in our corporate legal form or a substantial change in our corporate purpose, or the issue of bonds) which require an approval by vote of the majority of all the stock entitled to vote (all stock being entitled to only one vote).
Rule 4350(g) Solicitation of Proxies.	In lieu of the requirements of Rule 4350(g), the Company follows Argentine law which requires that notices of shareholders meetings be published, for five consecutive days, in the Official Gazette and in a widely circulated newspaper in Argentina no earlier than 45 calendar days prior to the meeting and at least 20 calendar days prior to such meeting. In order to attend a meeting and be listed on the meeting registry, shareholders are required to submit evidence of their book-entry share account held at Caja de Valores up to three business days prior to the scheduled meeting date. If entitled to attend the meeting, a shareholder may be represented by proxy (properly executed and delivered with a certified signature) granted to any other person, with the exception of a director, syndic, member of the surveillance committee (*consejo*

NASDAQ Standards for US companies	CRESUD S CORPORATE PRACTICES
	de vigilancia), manager or employee of the issuer, which are prohibited by Argentine law from acting as proxies. In addition, our American Depostary Shares holders receive, prior to the shareholders meeting, a notice listing the matters on the agenda, a copy of the annual report and a voting card.
Rule 4350(h) Conflicts of Interest	In lieu of the requirements of Rule 4350(h), the Company follows Argentine law which requires that related party transactions be approved by the audit committee when the transaction exceeds one percent (1%) of the corporation s net worth, measured pursuant to the last audited balance sheet, so long as the relevant transaction exceeds the equivalent of three hundred thousand Argentine Pesos (Ps. 300,000). Directors can contract with the corporation only on terms consistent with prevailing market terms. If the contract is not in accordance with prevailing market terms, such transaction must be pre-approved by the board of directors (excluding the interested director). In addition, under Argentine law, a shareholder is required to abstain from voting on a business transaction in which its interests may be in conflict with the interests of the company. In the event such shareholder votes on such business transaction and such business transaction would not have been approved without such shareholder s vote, such shareholder may be liable to the company for damages and the resolution may be declared void.

C. MATERIAL CONTRACTS

We do not have any material contract entered into outside the ordinary course of business.

D. EXCHANGE CONTROLS

Currency Exchange Regulation

All foreign currency exchange transactions must be carried out in the free exchange market, in which the Argentine Central Bank participates by purchasing and selling foreign currency.

Import and Export of Capital

Import of Capital

Currently, there are no laws, executive orders or regulations nor any exchange controls in force in Argentina which limit the import of capital.

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Pursuant to the Argentine Foreign Investment Law No. 21,382, and Decree No. 1,853/93, enacted in 1993, the purchase by foreign investors (any natural or legal person domiciled out of Argentina or an Argentine company of foreign capital) of capital participation in a company existing in Argentina (according to the Foreign Investment Act) shall constitute a foreign investment.

There are currently no restrictions on foreign investments in industries other than public broadcasting media, and no prior authorization is required to make foreign investments. Therefore, no prior authorization is required in order to purchase our securities. See Item 3: Key Information Exchange Rates

Export of Capital, including the availability of cash or cash equivalents

From 1989 to December 3, 2001, there were no exchange controls restricting the Peso-U.S. Dollar translation or the remittance of U.S. Dollars abroad. In compliance with the economic measures set forth by the Government by means of Decree No. 1570/2001 dated December 3, 2001 and subsequent amendments thereto, aimed at protecting the integrity of the Argentine financial system, money could not be transferred abroad, unless expressly authorized by the Argentine Central Bank.

For purposes of accessing the funds deposited with financial institutions, clients were allowed to make electronic transfers between accounts of the same institution or others and in favor of the same holder or other persons; pay expenses by means of debit cards, checks, automatic debits and credit cards. Additionally, the Decree declared that new foreign currency deposits could only be received as time deposits, and no demand accounts denominated in foreign currency may be opened. Such restrictions were later relaxed and deposits of foreign currency in savings accounts by residents were allowed (cajas de ahorro). Law No. 25,561 declared a public emergency in social, economic, administrative, financial and foreign exchange market matters, delegating to the Argentine executive branch until December 10, 2003, the powers to reorganize the financial, banking and foreign exchange system, reactivate the performance of the economy and improve the employment level and distribution of income, focusing on a program for the development of regional economies, creating the conditions for a sustainable economic growth, consistent with the public debt restructuring, and restructuring outstanding obligations affected by the new foreign exchange system. Such period was extended until December 31, 2005 by Law No. 25,792. Among other provisions, this law put an end to the convertibility system that had been in effect since April 1991, whereby Pesos were convertible to U.S. Dollars at a rate of Ps.1.00 per dollar.

As consequence of the enactment of Decree 260/02, as of February 8, 2002 a single and free exchange market was implemented, through which all foreign currency exchange transactions are made. Exchange transactions are entered into an exchange rate freely agreed upon by parties, but subject to the regulations and requirements set forth by the Argentine Central Bank. The Argentine Central Bank issued Communication A 3,471, as amended, establishing restrictions or special requirements for exchange transactions. Lack of compliance with requirements and conditions shall result in the application of sanctions established by the Criminal Law Exchange Regime.

Such regulation has been modified several times and, therefore, only the most important provisions currently in force are mentioned below:

Argentine individuals and companies are authorized to buy up to US$2,000,000 per month;

the sale of foreign currency to non-residents, with the exception of international organizations, in an aggregate monthly amount exceeding US$ 5,000 shall also be previously authorized by the Argentine Central Bank, except when there is evidence that the amounts used to purchase foreign currency (i) come from the payment of a resident to the non-resident which orders the transfer; and (ii) the payment is performed

in relation to import, services, revenues or other commercial transfers for which the resident should have had access to the exchange market in accordance to the exchange rules that regulated payments abroad to commercial account;

foreign currency exchange or arbitrage transactions with financial institutions located abroad must be previously authorized by the Argentine Central Bank, except where such financial institutions are located in countries which are members of the Basle Committee and have an international credit rating not lower than A granted by international rating agencies registered with the Argentine Central Bank, or where such transactions are entered into with branches of Argentine official banks located abroad;

future operations in regulated markets, options or forwards transactions and any other type of derivatives entered into and cancelled in Argentina and settled in local currency are not subject to any restriction, provided, however, that: (i) such operations do not contemplate any payment or transfer obligation of a resident to a foreign country; (ii) any inflow of foreign currency into the local exchange market for the purposes of such an operation by a non resident who is party to such a transaction is subject to a non-transferable deposit denominated in U.S. Dollars for an amount equal to 30% of the relevant transaction for a period of 365 days in accordance to such further conditions as indicated bellow (the Non- Transferable Deposit); and, (iii) transfer of foreign currency abroad by a non resident derived from such transactions involving an aggregate monthly amount exceeding US$5,000 shall also be previously authorized by the Argentine Central Bank.

Communication A 4,285 dated January 17, 2005, relaxed restrictions on foreign currency transactions by abrogating the requirement of prior approval of the Argentine Central Bank for the execution of certain future and forward operations and for the access to the foreign exchange market for their cancellation. These operations include: (i) transactions executed by the financial system for the acquisition of certain time deposits having variable retribution; (ii) agreements for the coverage of foreign currencies and interest rates, (iii) agreements executed by exporters or importers for the coverage of commodity prices, as long as they are related to argentine foreign trade transactions; and (iv) the execution of external transactions in the form of Repos provided that they are executed for a term of at least 180 days. With the exception of inflows related to the external transactions in the form of Repos mentioned in (iv), any other inflow of foreign currency devoted to future or forward operations mentioned in (i) to (iii) is exempted from the obligation to constitute the Non- Transferable Deposit.

financial institutions must obtain the prior authorization of the Argentine Central Bank in order to purchase any kind of asset, where the payment for such a transaction is made against delivery of foreign currency or any other kind of foreign denominated asset that is part of the General Exchange Position (Posición General de Cambios, or GEP) of these financial institutions;

new imports of goods may be fully paid in advance, without consideration of the kind of good, as well as debts for imports with any maturity date;

access to the free and sole exchange market is allowed for payment of expired capital services originated in financial debts, except for financial entities subject to advance refinancing and rediscounts granted by the Argentine Central Bank and restructuring of its foreign debt (Decree No. 739/03 and Communication A 3,940);

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non-residents may have access to the exchange market for purposes of transferring funds in foreign currency collected in Argentina, originated from amortization installments from national public bonds issued in foreign currency, to accounts in foreign banks;

there are no restrictions to make payments abroad for services rendered by non-residents on any basis (freight, insurance, royalties, technical advise, fees, etc.);

transfers abroad for the payment of indebtedness of private entities (comprising both financial and non-financial institutions) and government owned entities; provided that they fulfill certain regulatory requirements among others such as (i) a sworn statement affirming the fulfillment of Communication A 3,602 informative requirements; (ii) the possession of documents which evidence the genuineness of the operation being cancelled, i.e., the entry into the country of the finance proceed and/or its use to cancel the financial or commercial debt, etc.; (iii) the amounts to be transferred have been adjusted, as the case may be, in accordance to Decree 214/02 as amended; and (iv) the fact that the inflows have remained in the county for the legal minimum term (180 days until May 26, 2005 or 365 for funds entered after that date) has been verified;

effective as of January 8, 2003, Argentine companies may freely transfer corporate profits and dividends corresponding to audited financial statements of local companies without prior Argentine Central Bank approval and transfers of funds abroad in order to pay reinsurance premiums will be subject only to the issuance of a statement from the Superintendent of Insurance Board (Superintendencia de Seguros de la Nación) (the regulatory authority on insurance matters) with respect to the reason and amount to be transferred;

there is an obligation to enter the funds received as payment for the export of goods and services into the exchange market and to convert them into local currency within a time limit established by the Ministry of Economy and Production;

foreign currency obtained from the collection of exports corresponding to bills of lading shall be sold at the reference exchange rate when the foreign currency so obtained was not clear at the exchange market within the applicable legal terms, in accordance with applicable regulation; and

before September 2005, inflows of foreign currency which would be applied to export advances and prefinancing were allowed into the local exchange market avoiding the Non-Transferable Deposit requirement established by Decree No. 616/2005, issued on June 10, 2005 by providing a sworn statement stating that foreign funds would be used for a specific purchase transaction entered into with the buyer. Subsequently, the Argentine Central Bank by means of the Communication A 4,415 substituted the sworn statement requirement with the exhibition of the shipping contract involved in said transaction. Later, on November 22, 2005 Argentine Central Bank s Communication A 4,443 relaxed this requirement exempting exporters from providing such documentary evidence if they proved that the inflow of funds would not exceed more than 25% of the amount they received during the last year for similar transactions.

The government, through the Argentine Central Bank, holds control over capital inflows and outflows, enacting the applicable rules in this regard. Decree No. 616/2005, issued on June 10, 2005, established that inflows and outflows of foreign currency into the local exchange market, and

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indebtedness transactions incurred by local residents that may result in a foreign currency-denominated payment to non-residents, need to be registered with the Argentine Central Bank. Furthermore, as from May 26, 2005, the following situations will be subject to certain requirements and conditions: (a) inflows of funds derived from foreign borrowing by the private financial and non-financial sector; and (b) inflows of foreign currency by non-residents for the purpose of: (i) holding a position in local currency, (ii) purchasing financial debt or assets and (iii) investing in government bonds in the secondary market. In these situations, the following requirements must be met: (i) inflows must remain in Argentina for 365 days to be computed as from the day they were negotiated in the local exchange market; (ii) the funds involved in the transactions covered by this decree must be deposited in a local bank account; (iii) a Non-Transferable Deposit denominated in U.S. Dollars for an amount equal to 30% of the relevant transaction has to be made with the resulting proceeds. This deposit will only be reimbursed after the expiration of a 365 days term, cannot bear interest (nor yield any other type of profit) and may not be used as collateral in any credit transaction. Such requirements do not apply to: (a) foreign direct investment, (b) primary placement of publicly traded debt or equity securities listed in one or more exchange markets, and (c) foreign trade and export finance related transactions.

Subsequently, Resolution No. 365/2005 from the Ministry of Economy and Production established that non-resident capital inflows devoted to the primary subscription of the Argentine Central Bank notes and income derived from the sale by residents of foreign assets for an amount greater than US$2 million per month, will also be subject to the aforementioned requirements.

Moreover, said resolution provided certain exemptions to the Non-Transferable Deposit requirement such as the following: (i) inflows derived from borrowings extended by multilateral and bilateral financial institutions and official credit agencies, and (ii) inflows derived from financial borrowings extended by foreign creditors, so long as they are devoted to investments in non-financial assets and the borrowed amounts are repaid at least 24 months after they were granted. However, neither Resolution No. 365/2005 nor the relevant Argentine Central Bank Communications contain any definition or example as to what would constitute a non-financial asset that would fall under the said exception. Therefore, inflows of foreign currency derived from loans extended by foreign creditors to residents devoted to finance the acquisition or the construction of any real estate property are likely to be subject to the Non-Transferable Deposit requirement even if such borrowings are to be repaid no earlier than 24 months after they were granted.

By contrast, according to Communication C 43075 dated September 26, 2005, inflows of foreign currency caused by a non-resident and devoted to the cancellation of payment obligations under a purchase agreement (including installment payments thereof) concerning a real estate property under construction may be registered as foreign direct investments provided that certain conditions are met.

Finally, Resolution No. 637/2005 from the Ministry of Economy and Production dated November 16, 2005 established that any inflow of foreign currency to the local exchange market devoted to the primary subscription of notes, bonds or participation certificates issued by the trustee of a trust, regardless of the channels in which they are traded (public or private offerings, or listings in self-regulated markets) is subject to the Non-Transferable Deposit requirement established by Decree 616/2005 if such requirement would be deemed applicable to the acquisition of the underlying assets of the trust.

Reporting requirements on Direct Investments

On March 4, 2005 the Argentine Central Bank issued Communication A 4,305 that regulates the reporting system of direct investments and real estate investments carried out by non-residents in Argentina and by Argentine residents abroad, which had been implemented through Communication A 4,237 dated November 10, 2004.

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Direct investments in Argentina of non-Argentine residents

Non-Argentine residents are compelled to comply with the reporting regime if the value of their investments in Argentina reaches or surpasses the equivalent of US$ 500,000   measured in terms of the net worth of the company in which they participate or fiscal value of the real estate owned. If the investments do not reach such amount, the compliance with such regime is optional.

According to Communication A 4,237, companies in which non-Argentine residents participate in and administrators of real estate pertaining to non-Argentine residents are those obliged to comply with the reporting regime.

Direct investments made abroad by Argentine residents

Argentine investors are compelled to comply with the reporting regime if the value of their investments abroad reaches or surpasses the equivalent of US$ 1,000,000   measured in terms of net worth of the company in which they participate or the fiscal value of the real estate they own.

If the value of those investments abroad does not exceed the equivalent of US$ 5,000,000, the declaration could be carried out annually instead of semiannually. If the investments do not reach the equivalent of US$ 1,000,000, the compliance with such regime is optional.

The first declarations will correspond to the semester ended on December 31, 2004, and will have to be filed within 90 calendar days as of such date.

Conclusions:

While the foreign exchange market system in Argentina has become increasingly flexible under recent regulations, Decree No. 616/2005 severely deters short term inflows of foreign currency which are presumed to be of a speculative nature. Such determination on the part of the government is associated also to another short term economic policy goal and combined measures aimed at pegging or reasonably adjusting the U.S. Dollar value around Ps. 3 per US$ 1. We cannot assess whether these policies will be maintained in the longer run and how changes made therein may affect the economy and our business perspectives. Furthermore, we cannot predict how changes in the evolution of the world economy and commodity prices which constitutes an important part of Argentina s exports may influence exchange rates and controls policies. Moreover, failure of government to comply with financial commitments with the International Monetary Fund or failure to reach an agreement with the said institution may have an impact on the foreign exchange system. No assurance can be made as to the extend that all such factors may lead to future restrictions that might further tighten foreign exchange controls or otherwise change the current foreign exchange system.

E. TAXATION

United States taxation

The following summary describes the material United States federal income tax consequences of the ownership of shares and ADSs as of the date hereof. The discussion set forth below is applicable to U.S. Holders (as defined below). Except where noted, this discussion deals only with U.S. Holders that purchase the shares or ADSs as capital assets. This summary does not represent a detailed description of the United States federal income tax consequences applicable to you if you are subject to special treatment under the United States federal income tax laws, including if you are:

- a bank;

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- a dealer in securities or currencies;
- a financial institution;
- a regulated investment company;
- a real estate investment trust;
- an insurance company;
- a tax exempt organization;
- a person holding the shares or ADSs as part of a hedging, integrated or conversion transaction, constructive sale or straddle;
- a trader in securities that has elected the mark-to-market method of accounting for your securities;
- a person liable for alternative minimum tax;
- a person who owns 10% or more of the voting stock of our company;
- an investor in a pass-through entity; or
- a United States person whose functional currency is not the U.S. Dollar.

Furthermore, the discussion below is based upon the provisions of the Internal Revenue Code of 1986, as amended (the Code), and regulations, rulings and judicial decisions thereunder as of the date hereof, and such authorities may be replaced, revoked or modified so as to result in federal income tax consequences different from those discussed below. In addition, this summary is based, in part, upon representations made by the depositary (the Depositary) to us and assumes that the deposit agreement governing the ADSs, and all other related agreements, will be performed in accordance with their terms. **IF YOU ARE CONSIDERING THE PURCHASE, OWNERSHIP OR DISPOSITION OF SHARES OR ADSS YOU SHOULD CONSULT YOUR OWN TAX ADVISOR CONCERNING THE UNITED STATES FEDERAL INCOME TAX CONSEQUENCES TO YOU AS WELL AS ANY CONSEQUENCES ARISING UNDER THE LAWS OF ANY OTHER TAXING JURISDICTION.**

U.S. Holder means a beneficial owner of a share, or ADS that is for United States federal income tax purposes:

- an individual citizen or resident of the United States;

a corporation created or organized in or under the laws of the United States or any political subdivision of the United States;

an estate the income of which is subject to United States federal income taxation regardless of its source; or

a trust if it (1) is subject to the primary supervision of a court within the United States and one or more United States persons has authority to control all substantial decisions of the trust or (2) has a valid election in effect under applicable United States Treasury regulations to be treated as a United States person.

If a partnership holds shares or ADSs, the tax treatment of a partner will generally depend on the status of the partner and the activities of the partnership. If you are a partner of a partnership holding shares or ADSs, you should consult your tax advisors.

ADSs

In general, for United States federal income tax purposes, U.S. Holders of ADSs will be treated as the owners of the underlying shares that are represented by the ADSs. However, the United States Treasury has expressed concerns that parties to whom depositary shares are released may be taking actions that are inconsistent with the claiming of foreign tax credits by the holders of ADSs. Such actions would also be inconsistent with the claiming of the reduced rate of tax, described below, applicable to dividends received by certain non-corporate holders. Accordingly, the analysis of the creditability of Argentine taxes and the availability of the reduced tax rate for dividends received by certain non-corporate U.S. Holders, each discussed below, could be affected by actions taken by parties to whom the ADSs are released. Deposits or withdrawals of shares by U.S. Holders for ADSs will not be subject to United States federal income tax.

Distributions on Shares or ADSs

Subject to the discussion under Passive Foreign Investment Company Rules below, the gross amount of distributions on the shares or ADSs, (including net amounts withheld to reflect Argentine withholding taxes, if any) will be taxable as dividends to the extent of our current and accumulated earnings and profits (as determined under United States federal income tax principles). Such income (including withheld taxes) will be includable in your gross income as ordinary income on the day actually or constructively received by you, in the case of shares, or by the ADS depositary, in the case of ADSs. Such dividends will not be eligible for the dividends-received deduction allowed to corporations under the Code.

With respect to non-corporate United States investors, certain dividends received before January 1, 2009 from a qualified foreign corporation may be subject to reduced rates of taxation. A foreign corporation is treated as a qualified foreign corporation with respect to dividends received from that corporation on shares (or ADSs backed by such shares) that are readily tradable on an established securities market in the United States. United States Treasury Department guidance indicates that our ADSs (which are listed on the NASDAQ), but not our shares, are readily tradable on an established securities market in the United States. Thus, we do not believe that dividends that we pay on our shares that are not backed by ADSs currently meet the conditions required for these reduced tax rates. There can be no assurance that our ADSs will be considered readily tradable on an established securities market in later years. Non-corporate holders that do not meet a minimum holding period requirement during which they are not protected from the risk of loss or that elect to treat the dividend income as investment income pursuant to Section 163(d)(4) of the Code will not be eligible for the reduced rates of taxation regardless of our status as a qualified foreign corporation. In addition, the rate reduction will not apply to dividends if the recipient of a dividend is obligated to make related payments with respect to positions in substantially similar or related property. This disallowance applies even if the minimum holding period has been met.

The amount of any dividend paid in Pesos will equal the U.S. Dollar value of the Pesos received calculated by reference to the exchange rate in effect on the date the dividend is actually or constructively received by you in the case of shares, or by the ADSs depositary, in the case of ADSs, regardless of whether the Pesos are converted into U.S. Dollars. If the Pesos received are not converted into U.S. Dollars on the day of receipt, you will have a basis in the Pesos equal to their U.S. Dollar value on the date of receipt. Any gain or loss you realize on a subsequent conversion or other disposition of the Pesos will be treated as United States source ordinary income or loss.

Subject to certain significant conditions and limitations, Argentine tax withheld from dividends, if any, may be treated as foreign income tax eligible for credit or deduction against your United States federal income tax liability. For purposes of the foreign tax credit, dividends paid on the shares or ADSs will be treated as income from sources outside the United States and will generally constitute passive income Further, in certain circumstances, if you:

- have held ADSs or shares for less than a specified minimum period during which you are not protected from risk of loss, or
- are obligated to make payments related to the dividends,

you will not be allowed a foreign tax credit for foreign taxes imposed on dividends paid on ADSs or shares. The rules governing the foreign tax credit are complex. Investors are urged to consult their tax advisors regarding the availability of the foreign tax credit under their particular circumstances.

To the extent that the amount of any distribution exceeds our current and accumulated earnings and profits for a taxable year, as determined under United States federal income tax principles, the distribution will first be treated as a tax-free return of capital, causing a reduction in the adjusted basis of the ADSs or shares (thereby increasing the amount of gain, or decreasing the amount of loss, to be recognized by you on a subsequent disposition of the ADSs or shares), and the balance in excess of adjusted basis will be taxed as capital gain recognized on a sale or exchange. Consequently, such distributions in excess of our current and accumulated earnings and profits would generally not give rise to foreign source income and you would generally not be able to use the foreign tax credit arising from any Argentine withholding tax imposed on such distributions unless such credit can be applied (subject to applicable limitations) against United States federal income tax due on other foreign source income in the appropriate category for foreign tax credit purposes. However, we do not expect to keep earnings and profits in accordance with United States federal income tax principles. Therefore, you should expect that a distribution will generally be treated as a dividend (as discussed above).

Taxation of Capital Gains

Subject to the discussion under Passive Foreign Investment Company Rules below, upon the sale, exchange or other disposition of shares or ADSs, you generally will recognize capital gain or loss equal to the difference between the U.S. Dollar value of the amount realized upon the sale, exchange or other disposition and the adjusted tax basis of the shares or ADSs, determined in U.S. Dollars. The capital gain or loss will be long-term capital gain or loss if at the time of sale, exchange or other disposition you have held the shares or ADSs for more than one year. Capital gains of individuals derived with respect to capital assets held for more than one year are eligible for reduced rates of taxation. The deductibility of capital losses is subject to limitations. Any gain or loss you recognize will generally be treated as United States source gain or loss. Consequently, you may not be able to use the foreign tax credit arising from any Argentine tax imposed on the disposition of an ADS or Share unless such credit can be applied (subject to applicable limitations) against tax due on other income treated as derived from foreign sources.

Passive Foreign Investment Company Rules

The Company has not made a determination as to whether it is, or may be, a passive foreign investment company (PFIC), for United States federal income tax purposes for the fiscal year ending June 30, 2005. Because the determination of whether we are a PFIC is an annual determination based

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upon the composition of our assets and income, it is possible that we may be a PFIC in the current year or that we may become a PFIC in the future. The volatility and instability of Argentina s economic and financial system may substantially affect the composition of our income and assets. If we are or become a PFIC, United States holders of our shares or ADSs will be subject to certain United States federal income tax rules which will have negative consequences on them such as additional tax and an interest charge upon certain distributions or upon sales or other disposition of our shares or ADSs at a gain, as well as reporting requirements.

In general, we will be a PFIC for any taxable year in which, either (i) at least 75% of the gross income of our company for the taxable year is passive income or (ii) at least 50% of the value (determined on the basis of a quarterly average) of our assets is attributable to assets that produce or are held for the production of passive income. For this purpose, passive income generally includes dividends, interest, royalties, rents (other than rents and royalties derived in the active conduct of a trade or business and not derived from a related person), annuities and gains from assets that produce passive income. 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 a proportionate share of the assets of the other corporation, and as receiving directly a proportionate share of the other corporation s income.

The determination of whether we are a PFIC is made annually. If we are a PFIC for any taxable year during which you hold shares or ADSs in our company, unless you make the mark-to-market election discussed below, you will be subject to special tax rules discussed below.

If we are a PFIC for any taxable year during which you hold our shares or ADSs, you will be subject to special tax rules with respect to any excess distribution received and any gain realized from a sale or other disposition, including a pledge, of such shares or ADSs. Distributions received in a taxable year that are greater than 125% of the average annual distributions received during the shortest of the three preceding taxable years or your holding period for the equity interests will be treated as excess distributions. Under these special tax rules (i) the excess distribution or gain will be allocated ratably over your holding period for the equity interests, (ii) the amount allocated to the current taxable year, and any taxable year prior to the first taxable year in which we were a PFIC, will be treated as ordinary income, and (iii) the amount allocated to each other year will be subject to tax at the highest tax rate in effect for that year and the interest charge generally applicable to underpayments of tax will be imposed on the resulting tax attributable to each such year.

In addition, non-corporate U.S. Holders will not be eligible for reduced rates of taxation on any dividends received from us prior to January 1, 2009, if we are a PFIC in the taxable year in which such dividends are paid or in the preceding taxable year.

In certain circumstances, in lieu of being subject to the excess distribution rules discussed above, you may make an election to include gain on the stock of a PFIC as ordinary income under a mark-to-market method provided that such stock is regularly traded on a qualified exchange. Under current law, the mark-to-market election is only available for stock traded on certain designated United States exchanges and foreign exchanges which meet certain trading, listing, financial disclosure and other requirements to be treated as a qualified exchange under applicable United States Treasury regulations. Consequently, the mark-to-market election may be available to you with respect to the ADSs because the ADSs will be listed on the NASDAQ, which constitutes a qualified exchange under the regulations, although there can be no assurance that the ADSs will be regularly traded. You should note that only the ADSs and not the shares are listed on the NASDAQ. The shares are listed on the Buenos Aires Stock Exchange. Consequently, the Buenos Aires Stock Exchange would need to meet the trading, listing, financial disclosure and other requirements of the United States Treasury regulations. The ADSs or shares would need to be regularly traded on such exchanges in order for the ADSs or shares to be potentially eligible for the mark-to-market election.

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If we are a PFIC in any taxable year in which you hold our shares or ADSs, but you do not make a mark-to-market election until a subsequent taxable year, you will be subject to special rules in the taxable year of the election. You should consult your own tax advisors regarding the application of the mark-to-market election in your particular situation.

If you make an effective mark-to-market election, you will include in income each year as ordinary income, rather than capital gain, the excess, if any, of the fair market value of your PFIC shares or ADSs at the end of the taxable year over your adjusted tax basis in the shares or ADSs and will be permitted an ordinary loss in respect of the excess, if any, of the adjusted basis of such shares or ADSs over their fair market value at the end of the taxable year, but only to the extent of the net amount previously included in income as a result of the mark-to-market election. Your basis in the shares or ADSs will be adjusted to reflect any such income or loss amounts. Any gain or loss on the sale of the shares or ADSs will be ordinary income or loss, except that such loss will be ordinary loss only to the extent of the previously included net mark-to-market gain.

If you make a mark-to-market election it will be effective for the taxable year for which the election is made and all subsequent taxable years unless the shares or ADSs are no longer regularly traded on a qualified securities exchange or the Internal Revenue Service (IRS) consents to the revocation of the election. Mark-to-market inclusions and deductions will be suspended during taxable years in which are not a PFIC, but would resume if they subsequently become a PFIC. You are urged to consult your own tax advisor about the availability of making such a mark-to-market election.

Alternatively, a United States Holder of shares or ADSs in a PFIC can sometimes avoid the rules described above by electing to treat the company as a qualified electing fund under Section 1295 of the Code. This option is not available to you because we do not intend to comply with the requirements necessary to permit you to make this election.

A United States Holder who owns shares or ADSs during any year that we are a PFIC must file IRS Form 8621.

You should consult your own tax advisors concerning the United States federal income tax consequences of holding the shares or ADSs if we are considered a PFIC in any taxable year.

Argentine Personal Assets Taxes

Amounts paid on account of the Argentine Personal Assets Taxes, if any, will not be eligible as a credit against your United States federal income tax liability, but may be deductible subject to applicable limitations in the Code.

Information Reporting and Backup Withholding

In general, information reporting requirements will apply to distributions on shares or ADSs and to the proceeds of sale of a share or ADS paid to you within the United States (and in certain cases, outside the United States), unless you are an exempt recipient (such as a corporation). Backup withholding may apply to such payments if you fail to provide a correct taxpayer identification number or certification of foreign or other exempt status or fail to report in full dividend and interest income.

Any amounts withheld under the backup withholding rules will be allowed as a refund or a credit against your United States federal income tax liability provided you furnish the required information to the IRS.

Argentine Taxation

The following discussion is a summary of certain Argentine tax considerations associated with an investment in, ownership or disposition of, the shares or the ADSs by an individual holder that is not domiciled or resident in Argentina and a legal entity that is not organized under the laws of Argentina and does not have a permanent establishment in Argentina or is not otherwise doing business in Argentina on a regular basis (a Foreign Holder). The discussion is for general information only and is based on current Argentine tax laws. Moreover, while this summary is considered to be a correct interpretation of existing laws in force as of the date of this 20-F Form, no assurance can be given that the courts or administrative authorities responsible for the administration of such laws will agree with this interpretation or that changes in such laws or interpretations will not occur. **PROSPECTIVE INVESTORS ARE URGED TO CONSULT THEIR OWN TAX ADVISOR REGARDING THE PARTICULAR TAX CONSEQUENCES ARISING UNDER ANY TAXING JURISDICTION**.

Taxation of Dividends

Dividends, either in cash, shares or kind approved by our shareholders are currently exempt from Argentine withholding or other taxes.

Notwithstanding the foregoing, according to Argentine law, income tax will be applied to the amount of dividends distributed in excess of a company s net taxable income determined in accordance with general income tax regulations for the fiscal years preceding the date of the distribution of such dividends. The legislation requires that companies withhold 35% of the amount of distributed dividends in excess of the net taxable income of such distribution, as determined in accordance with the income tax law. The withholding would not be applied to the payment of future dividends derived out of retained earnings obtained in the fiscal years ended prior to December 30, 1998. Dividends distributed by an Argentine company are not subject to this tax to the extent that those dividends arise from dividend income or other distributions received by such company from other Argentine companies.

Taxation of Capital Gains

Pursuant to Decree No. 2,284/91 gains on sales or other dispositions of shares or ADSs by non-resident individuals and foreign entities without a permanent establishment in Argentina are currently exempt from income tax. Notwithstanding, if the foreign entity qualifies as an Offshore Taxable Entity and shares or ADS s are not listed, sales or other dispositions of such shares or ADSs are taxable at the rate of 17.5%.

An Offshore Taxable Entity is a foreign entity without permanent establishment in Argentina which (i) pursuant to its by-laws or to the applicable regulatory framework has its principal investing activity outside the jurisdiction of its incorporation and/or (ii) cannot perform in the jurisdiction of its incorporation certain transactions and/or investments expressly indicated in its by-laws or in the applicable regulatory framework.

Gains on sales or other dispositions of listed shares or ADSs by resident individuals are currently exempt from taxation. In the case of non listed shares or ADS s its sale or other dispositions are taxable at the rate of 9% up to 15%, but the losses generated by such transactions may only be offset against income from the same type of transactions.

Gains on the sale or other dispositions of shares or ADSs by Argentine entities are subject to Argentine income tax at the fixed rate of 35% but the losses generated by such transaction may only be offset against income from the same type of transactions.

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Notwithstanding the foregoing, on July 3, 2003, the Attorney of the Argentine Republic Treasure has passed Judgment No. 351/03 in which interprets that, as from the enactment of Law No. 25,556, the provisions of the income tax law that taxed capital gains arising from unlisted shares obtained by resident individuals or Offshore Taxable Entities are no longer in force because they have been implicitly abrogated. No assurance can be given on the applicable regime, as of today, no official interpretation of this judgment has been completed.

WE RECOMMEND PROSPECTIVE INVESTORS TO CONSULT THEIR OWN TAX ADVISOR REGARDING THE PARTICULAR TAX CONSEQUENCES CONCERNING THE SALE OR OTHER DISPOSITIONS OF THE SHARES OR ADS s.

Value Added Tax

The sale, exchange, disposition, or transfer of shares or ADSs is not subject to Value Added Tax.

Personal Assets Tax

Law No. 25,585 issued on April 24, 2002 and published in the Official Gazette on May 15, 2002 (and applicable to personal assets held as of December 31, 2002) introduces amendments to Law No. 23,966 and imposes the personal assets tax on shares and ADSs held by individuals and undivided estates domiciled or located in Argentina or abroad and legal entities not domiciled in Argentina, separately from other assets.

This amendment imposes the obligation to pay the personal assets tax on the Argentine private issuer of the shares and ADSs, and authorizes it to seek recovery of the amount so paid, without limitation, by way of withholding or by foreclosing on the assets that gave rise to such payment. The tax is levied on the proportional equity value of the shares as reflected in the most recent balance sheet closed as of December 31 of the taxable year, at the rate of 0.5% without any non-taxable minimum being applicable.

At the Shareholder s Ordinary and Extraordinary General Meeting held on October 22, 2004, the shareholders approved taxes on personal assets and the absorption of such tax by the Company for the years 2002 and 2003.

There can be no assurance that in the future this tax will be absorbed by the Company.

Tax on Minimum Notional Income (Impuesto a la Ganancia Mínima Presunta, IGMP)

Companies domiciled in Argentina, partnerships, foundations, sole proprietorships, trusts, certain mutual funds organized in Argentina, and permanent business establishments owned by foreign persons, among other taxpayers, shall apply a 1% rate to the total value of assets held by such persons, above an aggregate nominal amount of Ps. 200,000. Nevertheless, shares and ADSs issued by entities subject to such tax are exempt from paying the IGMP.

Gross Income Tax

The gross income tax is local in nature; therefore, the rules of the relevant provincial jurisdiction should be considered, which may levy this tax on the purchase and sale of shares and/or the collection of dividends. In the particular case of the City of Buenos Aires, any transaction involving shares and/or the collection of dividends and revaluations is exempt from this tax.

There is no gross income tax withholding system applicable to the payments made to foreign beneficiaries. Those investors who customarily perform, or who are deemed to perform, transactions in any jurisdiction in which they obtain their income from the sale of shares and/or the collection of dividends are subject to this tax at an average rate of 3%, unless an exemption is applicable to them.

Stamp Tax

The stamp tax is a local tax that is generally levied on the instrumentation of onerous acts executed within a certain territorial jurisdiction or outside a certain territorial jurisdiction but with effects in such jurisdiction.

In the City of Buenos Aires, the stamp tax has been repealed for all those acts that do not imply an onerous conveyance of real property. However, most provincial tax authorities maintain this tax in effect for all acts in general; therefore, the instruments which implement onerous transactions (including issuance, subscription, placement and transfer) involving the shares or ADSs, executed in other jurisdictions, or with effects in those jurisdictions, could be deemed to be subject to this tax.

Court and Other Taxes

In the event that it becomes necessary to institute legal actions in relation to the shares or ADS s in Argentina, a court tax (currently at a rate of 3.0%) will be imposed on the amount of any claim brought before the Argentine courts sitting in the City of Buenos Aires.

Argentina imposes neither an estate nor gift tax on a decedent, donor, legatee or donee. No Argentine tax is imposed on the deposit or withdrawal of shares in exchange for ADSs. Other than the taxes discussed above, no other Argentine taxes are applicable to an investment in shares or ADSs. At present, there is no national tax specifically applicable to the transfer of securities.

Tax Treaties

Argentina has entered into tax treaties with several countries. There is currently no tax treaty or convention in effect between Argentina and the United States.

F. DIVIDENDS AND PAYING AGENTS

This section is not applicable.

G. STATEMENT BY EXPERTS

This section is not applicable.

H. DOCUMENTS ON DISPLAY

We file annual, quarterly and other information with the SEC. You may read and copy any document that we file at the public reference rooms of the SEC at 450 Fifth Street, N.W., Washington, D.C. 20549 and 500 West Madison Street, Suite 1400, Chicago, Illinois 60661. You may obtain information on the operation of the public reference rooms by calling the SEC at 1-800-SEC-0330. Our Internet address is http://www.cresud.com.ar. It should be noted that nothing on our website should be considered part of this annual report on Form 20-F. You may request a copy of these filings at no cost, by writing or calling the office at +54 (11)-4814-7800.

I. SUBSIDIARY INFORMATION

This section is not applicable.

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Item 11. Quantitative and qualitative disclosures about market risk

In the normal course of business, we are exposed to commodity price, interest rate and exchange rates risks, primarily related to our integrated crop production activities and changes in exchanges rates and interest rates. We manage our exposure to these risks through the use of various financial instruments, none of which are entered into for trading purposes. We have established policies and procedures governing the use of financial instruments, specifically as it relates to the type and volume of them. The use of financial derivatives instruments is oriented to our core business and is supervised by internal control policies.

The following discusses our exposure to these risks. This discussion contains forward-looking statements that are subject to risks and uncertainties. Actual results could vary materially as a result of a number of factors including those set forth in the risk factors section of this Form 20-F. Uncertainties that are either nonfinancial or nonquantifiable, such as political, economic, tax, other regulatory, or credit risks, are not included in the following assessment of our market risks.

Interest Rate Risk

The primary objective of our investment activities is to preserve principal while at the same time maximizing yields without significantly increasing risk. To achieve this objective, we maintain our portfolio of cash equivalents and short-term investments in a variety of securities, including both government and corporate obligations and money market funds. Under U.S. GAAP, these securities are generally classified as available for sale and consequently are recorded on the balance sheet at fair value with unrealized gains or losses reported as a separate component of accumulated other comprehensive income, net of estimated tax.

Investments in both fixed rate and floating rate interest earning instruments carry varying degrees of interest rate risk. Fixed rate securities may have their fair market value adversely impacted due to a rise in interest rates. In general, longer dated securities are subject to greater interest rate risk than shorter dated securities. While floating rate securities are generally subject to less interest rate risk than fixed rate securities, floating rate securities may produce less income than expected if interest rates decrease. Due in part to these factors, our investment income may fall short of expectations or we may suffer losses in principal if securities that have declined in market value due to changes in interest rates are sold. To date, we have not utilized derivative financial instruments to hedge interest rate risk; however, there can be no assurance as to the employment of hedging strategies in the future.

Foreign Exchange Exposure

From April 1, 1991, until the beginning of 2002, Convertibility Law No. 23,928 was applicable to Argentina. This law established a fixed exchange rate, under which the Argentine Central Bank was obliged to sell U.S. Dollars to any person at a fixed rate of one Peso per U.S. Dollar. Accordingly, the foreign currency fluctuations were reduced to a minimum level, during this period.

The primary economic change implemented by the current Argentine government in January 2002 was the announcement of the devaluation of the Peso. Due to the end of the Convertibility Plan, our foreign exchange exposure has increased considerably.

Foreign currency exchange rate fluctuations could impact our cash flow in Pesos, since some of our products and inputs are payable in U.S. Dollars. Although most of our liabilities are denominated in Pesos, a small percentage is in U.S. Dollars, and fluctuations in the foreign currency exchange rate may affect us.

Foreign currency exchange restrictions imposed by the Argentine government in the future could prevent or restrict our access to U.S. Dollars, thus affecting our ability to service our U.S. Dollar-denominated liabilities. Also, fluctuations in the exchange rate between the Peso and the U.S. Dollar

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may adversely affect the U.S. Dollar equivalent of the Peso price of our common shares on the Buenos Aires Stock Exchange, and as a result would likely affect the market price of our ADSs in the United States.

Derivative Financial Instruments

The use of derivative instruments is carefully oriented to our core business. These instruments consist basically of crop futures contracts and put and call option contracts. Our derivatives are supported by a conservative criteria and internal control policies.

The Company also engages in trading of certain financial instruments. These instruments consist mainly of future contracts to purchase metals. Gains and losses associated with these instruments are recorded within Financial results, net in the accompanying consolidated financial statements.

We usually cover up to 40% of our crop production in order to finance the operating costs. The hedge consists of taking positions on purchased puts or sold futures and calls that assure a fixed exit price.

We have never kept a short position greater than our crop stock.

Sometimes we may keep an additional long position in derivatives in order to improve the use of land and capital allocation (i.e. the use of land for rent).

It is not our intention to be exposed in a long derivative position in excess of 50% of our real production.

Derivative financial instruments involve, to a varying degree, elements of market and credit risk not recognized in the financial statements. The market risk associated with these instruments resulting from price movements is expected to offset the market risk of the underlying transactions, assets and liabilities, being hedged. The counterparties to the agreements relating to our futures and options contracts consist of a number of major institutions with high credit ratings. We do not believe that there is a significant risk of nonperformance by these counterparties because we continually monitor the credit rating of such counterparties, and limit the financial exposure and the amounts of agreements entered into with any one financial institution. While the contract or notional amounts of derivative financial instruments provide one measure of the volume of these transactions, they do not represent the amount of our exposure to credit risk. The amounts potentially subject to credit risk (arising from the possible inability of counterparties to meet the terms of their contracts) are generally limited to the amounts, if any, by which the counterparties obligations under the contracts exceed our obligations to the counterparties.

At June 30, 2005, we had outstanding futures and options as follows:

Crop	Tons	Troy oz.	Premium

			Maturity Date	Deposit/Cost (Ps.)	Paid (Collected) (Ps.)	Option Market Value as of 06/30/05 (Ps.)	Market Value (Loss) Gain as of 06/30/05 (Ps.)
FUTURES							
Purchase							
Wheat	6,800		Sep-2005				13,252
Silver		175,000	Sep-2005				(89,307)

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Crop	Tons	Troy oz.	Maturity Date	Deposit/Cost (Ps.)	Premium Paid (Collected) (Ps.)	Option Market Value as of 06/30/05 (Ps.)	Market Value (Loss) Gain as of 06/30/05 (Ps.)
Sale							
Corn	2,800		Sep-2005	56,193			(7,598)
Corn	31,750		Dec-2005				126,141
Corn	1,600		Apr-2006	32,111			(573)
Soybean	22,000		Nov-2005	615,164			(60,465)
Soybean	5,300		May-2006	151,951			134,606
Wheat	6,800		Sep-2005				(17,013)
OPTIONS							
Call Buy							
Corn	31,750		Sep-2005		394,213	116,466	(277,747)
Call sale							
Corn	20,955		Dec-2005		(336,873)	(226,839)	110,034
Soybean	7,780		Nov-2005	860	(129,875)	(118,549)	11,326
Soybean	9,520		May-2006		(291,001)	(160,462)	130,539
Put Buy							
Corn	14,605		Dec-2005		302,827	342,051	39,224
Soybean	12,700		May-2006	(445,259)	404,964	538,881	133,917
Put Sale							
Corn	31,750		Dec-2005		(340,456)	(537,534)	(197,078)
Soybean	1,700		Sep-2005	8,701	(23,968)	(5,849)	18,119
Soybean	700		Nov-2005		(12,242)	(5,017)	7,225
Total	**208,510**	**175,000**		**419,721**	**(32,411)**	**(56,852)**	**74,602**

The deposits/cost on open futures and options as of June 30, 2005 were Ps. 419,721, and futures generated an unrealized gain of Ps. 99,043. The premiums paid for open options as of June 30, 2005 amounted to Ps. 32,411; the market value of such options was of Ps. (56,852). The options resulted in an unrealized loss of Ps. 24,441. The total unrealized gain loss on open futures and options was Ps.74,602 as of June 30, 2005.

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Set forth below is the information regarding changes in the fair market value of future and option contracts at June 30, 2005:

Fair market value of contracts outstanding at the beginning of the year	Ps. (346,108)
Contracts realized or otherwise settled during the year	346,108
Fair value of contracts when entered into during the year	387,310
Changes in fair values attributable to changes in valuation techniques and assumptions	
Other changes in fair value	74,602
Fair value of contracts outstanding at the end of the year(a)	461,912

(a) As of June 30, 2005, the maturity dates of all futures and option contracts are less than one year.

The fair value of our futures and options contracts is determined by calculating the market value of futures contracts, the market value of options acquired and sold and the margin deposits of these contracts. We use valuation models only for internal analysis. Therefore, figures set forth in our tables reflect real market prices used for pricing portfolio.

We use the options operations to combine them with the futures operations, only as a means to reduce the exposure towards the decrease of the prices, as the fact of being a producer implies the position of being bought, up to the moment that the grains are harvested and sold.

Futures and Options

Crop	Tons	Troy oz.	Maturity month	Future Price (Pesos)	Total Amount (Pesos)	Strike Price (Pesos)	Premium Cost (Pesos/Ton)	Hypothetical Market value (Ps.)	Unrealized (Loss) Earnings (Ps.)
Corn									
Futures									
Sale	2,800		Sep-2005	209.44	(586,445)			233.37	67,002
Sale	31,750		Dec-2005	265.54	(8,431,043)			287.73	704,349
Sale	1,600		Apr-2006	216.10	(345,760)			238.10	35,207
Options									
Call Buy	31,750		Sep-2005			293.46	12.42	233.37	394,213
Call Sale	20,955		Dec-2005			284.22	(16.08)	240.63	(336,873)
Put Buy	14,605		Dec-2005			270.88	20.73	240.63	302,827
Put Sale	31,750		Dec-2005			259.60	(10.72)	240.63	(340,456)

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Crop	Tons	Troy oz.	Maturity month	Future Price (Pesos)	Total Amount (Pesos)	Strike Price (Pesos)	Premium Cost (Pesos/Ton)	Hypothetical Market value (Ps.)	Unrealized (Loss) Earnings (Ps.)
Soybean									
Futures									
Sale	22,000		Nov-2005	523.35	(11,513,614)			578.70	1,217,873
Sale	5,300		May-2006	496.16	(2,629,641)			517.84	114,898
Options									
Call Sale	7,780		Nov-2005			833.26	(16.69)	578.70	(129,875)
Call Sale	9,520		May-2006			969.17	(30.57)	517.84	(291,001)
Put Buy	12,700		May-2006			487.39	31.89	517.84	404,964
Put Sale	1,700		Sep-2005			473.06	(14.10)	566.09	(23,968)
Put Sale	700		Nov-2005			481.66	(17.49)	578.70	(12,242)
Wheat									
Futures									
Buy	6,800		Sep-2005	350.43	2,382,926			387.62	252,870
Sale	6,800		Sep-2005	346.72	(2,357,675)			384.14	(254,482)
Silver									
Futures									
Buy		**175,000**	Sep-2005	20.79	3,369,011			22.31	265,664
					(19,842,241)				**2,370,970**

Item 12. Description of securities other than equity securities

This item is not applicable.

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PART II

Item 13. Defaults, dividend arrearages and delinquencies

Defaults and partial waivers and debt agreements with IRSA s creditors

Hoteles Argentinos S.A. mortgage loan

On January 26, 2001 IRSA s subsidiary Hoteles Argentinos S.A. holder of 100% of the shates of Hotel Libertador, entered into a loan agreement with BankBoston N.A. for US$ 12 million. The transaction was guaranteed with a senior mortgage on the property which houses the Sheraton Libertador Hotel Buenos Aires.

On March 10, 2004 BankBoston N.A. assigned all rights and obligations arising from the loan agreement to Marathon Master Fund Ltd.

On December 16, 2004 IRSA s wholly-owned subsidiary, Ritelco S.A., acquired Marathon Master Fund, Ltd. s credit for the amount of US$ 8 million.

On March 23, 2005 Ritelco S.A. assigned the above-mentioned loan to Credit Suisse First Boston for the amount of US$ 8 million. In the context of such transaction IRSA signed a Credit Default Swap contract with Credit Suisse First Boston which guarantees the payment of Hoteles Argentinos S.A. s debt once restructured and establishes that in the event of non-compliance the Company must repurchase this credit. In guarantee of Hoteles Argentinos S.A. s compliance with the contract, IRSA made a payment of US$ 2 million to Credit Suisse First Boston.

Hoteles Argentinos S.A. has initiated its debt restructuring process, for which it must present a restructuring plan prior to March 15, 2006. The debt owed by Hoteles Argentinos S.A. has been valued at US$ 8.0 million on IRSA s consolidated balance sheet.

Item 14. Material modifications to the rights of security holders and use of proceeds

This section is not applicable.

Item 15. Controls and procedures

(a) DISCLOSURE, CONTROLS AND PROCEDURES

As of the end of fiscal year 2005, we carried out an evaluation of the controls and procedures of our company with the participation of our chief executive officer and chief financial officer to determine the effectiveness of our disclosure controls and procedures. Based on this evaluation, our chief executive officer and chief financial officer concluded that our disclosure controls and procedures are effective in all material respects to ensure that the information we file and submit under the U.S. Securities and Exchange Act of 1934 is recorded, processed, summarized and reported as and when required.

Furthermore, the evaluation found no significant changes in our internal controls that materially affected, or is reasonably likely to materially affect our internal controls.

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Item 16

A. AUDIT COMMITTEE FINANCIAL EXPERT

In our annual ordinary shareholders meeting held on October 31, 2003, the audit committee was unanimously approved. Pursuant to this plan, the board of directors had to appoint the members of the audit committee who hold expertise in corporate administration, finance and accounting.

Our board of directors established an audit committee which would assist the Board in exercising its duty of care on disclosure requirements, the enforcement of accounting policies, management of our business risks, the management of our internal control systems, ethical conduct of the company s businesses, monitoring the sufficiency of our financial statements, the company s compliance with laws, independence and capacity of independent auditors and performance of our internal audit duties both by our company and our external auditors.

On December 21, 2005, our board of directors officially appointed Jorge Oscar Fernández, Susan Segal, and Gabriel Adolfo Reznik, all of them independent members, as members of the audit committee. The board of directors named Jorge Oscar Fernández as the financial expert in accordance with the relevant SEC rules. We have a fully independent audit committee as per the standard provided in Rule 10(A)-3(b)(1).

B. CODE OF ETHICS

We have adopted a code of ethics that applies to our directors, officers and employees. On date July 25, 2005, our Code of Ethics was amended by our board of directors. The reformed Code was informed by means of a 6K Form filing on August 1, 2005 and is available on our web site http://www.cresud.com.ar.

If we make any substantive amendment to the code of ethics or if we grant any waivers, including any implicit waiver, from a provision of the code of ethics, we will disclose the nature of such amendment or waiver in a Form 6-k or in our next Forms 20-F to be filed to the SEC.

C. PRINCIPAL ACCOUNTANT FEES AND SERVICES

Audit Fees

During fiscal years ended June 30, 2005 and 2004, we were billed for a total amount of Ps. 0.26 million and Ps. 0.27 million respectively, for professional services rendered by our principal accountants for the audit of our financial statements and other services normally provided in connection with regulatory filings or engagements.

Audit-Related Fees

During fiscal years ended June 30, 2005 and 2004, we were billed for a total amount of Ps. 0.01 million and Ps. 0.01 million respectively, for professional services rendered by our principal accountants mainly including fees related to security issuances and accounting certifications.

Audit Committee Pre-Approval Policies and Procedures

Our audit committee approves, in advance, the engagement of auditors and their fees for audit and non-audit services pursuant to paragraph (c)(7)(i)(C) of Rule 2-01 of Regulation S-X.

Our Audit Committee pre-approves all services, fees and services provided by the external auditors to ensure auditors independence. One of the main tasks of the Audit Committee is to give it

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opinion in relation to the appointment of the external auditors, proposed by the Board of Directors to the General Shareholder s Meeting. In order to accomplish such task, the Audit Committee shall:

Require any additional and complementary documentation related to this analysis.

Verify the independence of the external auditors;

Analyze different kinds of services that the external auditor would provide to the company. This description must also include an estimate of the fees payable for such services, specifically in order to maintain the principle of independence;

Inform the fees billed by the external auditor, separating the services related to the Audit Committee and other special services that could be not included as fees related to the Audit Committee;

Take notice of any strategy proposed by of the external auditors and review it in accordance with the reality other business and the risks involved;

Analyze and supervise the working plan of the external auditors considering the business reality and the estimated risks;

Propose adjustments (if necessary) to such working plan;

Hold meetings with the external auditors in order to: (a) analyze the difficulties, results and conclusions of the proposed working plan; (b) analyze eventual possible conflicts of interests, related party transactions, compliance with the legal framework and information transparency;

Evaluate the performance of external auditors and their opinion regarding the Financial Statements.

D. EXEMPTION FROM THE LISTING STANDARDS FOR AUDIT COMMITTEES

This section is not applicable.

E. PURCHASERS OF EQUITY SECURITIES BY THE ISSUER AND AFFILIATED PURCHASERS

This section is not applicable.

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PART III

ITEM 17. FINANCIAL STATEMENTS

We have responded to Item 18 in lieu of responding to this Item.

ITEM 18. FINANCIAL STATEMENTS

Reference is made to pages F-1 through F-170.

ITEM 19. EXHIBITS

INDEX OF EXHIBITS

Exhibit No.	Description of Exhibit
3.1*	By-laws (*Estatutos*) of the registrant, which serve as the registrant s articles of incorporation and by-laws, and an English translation thereof.
4.1**	Unit Agreement between the registrant and the Bank of New York.
4.2**	Indenture between the registrant and the Bank of New York.
4.2**	Warrant Agreement between the registrant and the Bank of New York, as warrant agent.
4.3*	Consulting Agreement among Cresud S.A.C.I.F. y A. and Dolphin Fund Management S.A. dated October 25, 1994.
4.4***	Agreement for the exchange of Corporate Service.
11.1****	Code of Ethics of the Company.
12.1	Certification pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
12.2	Certification pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
13.1	Certification pursuant to 18 U.S.C. 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
13.2	Certification pursuant to 18 U.S.C. 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
21.1**	Subsidiaries of the registrant

* Incorporated herein by reference to the exhibit to the registrant s registration statement on Form F-1 (File No. 333-06548).

** Incorporated herein by reference to the same-numbered exhibit to the registrant s registration statement on Form F-3 (File No. 333-90476).

*** Incorporated herein by reference to the registrant s registration statement on Form 6-K (File No. 333-06548).

****

Incorporated herein by reference to the registrant s registration statement on Form 6-K reported on August 1, 2005 (File No. 0001034957).

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SIGNATURE

The registrant hereby certifies that it meets all of the requirements for filing on Form 20-F and that it has duly caused and authorized the undersigned to signed this annual report on its behalf.

CRESUD S.A.C.I.F. Y A.

/s/ Alejandro G. Elsztain

By: Alejandro G. Elsztain
Position: Director and Chief Executive Officer
December 23, 2005.

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INDEX TO THE CONSOLIDATED FINANCIAL STATEMENTS

Cresud Sociedad Anónima Comercial, Inmobiliaria, Financiera y Agropecuaria

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Report of Independent Registered Public Accounting Firm

To the Board of Directors and Shareholders of

Cresud Sociedad Anónima Comercial, Inmobiliaria, Financiera y Agropecuaria:

In our opinion, the accompanying consolidated balance sheets and the related consolidated statements of income, of changes in shareholders equity and of cash flows present fairly, in all material respects, the financial position of Cresud Sociedad Anónima Comercial, Inmobiliaria, Financiera y Agropecuaria and its subsidiaries at June 30, 2005 and 2004, and the results of their operations and their cash flows for each of the three years in the period ended June 30, 2005 in conformity with accounting principles generally accepted in Argentina. These financial statements are the responsibility of the Company s management; our responsibility is to express an opinion on these statements based on our audits. We conducted our audits of these statements in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

Accounting principles generally accepted in Argentina vary in certain significant respects from the accounting principles generally accepted in the United States of America and as allowed by Item 18 to Form 20-F. Information relating to the nature and effect of such differences is presented in Note 16 to the consolidated financial statements.

PRICE WATERHOUSE & Co. S.R.L.

By: /s/ Andrés Suarez (Partner)

Andrés Suarez

Buenos Aires, Argentina

September 8, 2005, except for

Note 16, as to which the date is

December 23, 2005

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Cresud Sociedad Anónima Comercial, Inmobiliaria,

Financiera y Agropecuaria and Subsidiaries

Consolidated Balance Sheets

as of June 30, 2005 and 2004

(In Argentine Pesos, except as otherwise indicated)

	2005	2004
ASSETS		
Current Assets		
Cash and banks (Notes 4.a) and 17.f))	Ps. 14,468,212	Ps. 12,749,164
Investments (Notes 4.b), 7, 17.c) and 17.f))	59,978,002	1,874,997
Trade accounts receivable, net (Notes 4.c), 7 and 17.f))	9,788,312	5,354,858
Other receivables (Notes 4.d), 7 and 17.f))	22,213,958	18,866,406
Inventories (Note 4.e))	46,293,640	35,441,885
	152,742,124	74,287,310
Non-Current Assets		
Other receivables (Notes 4.d) and 7)	6,480,334	101,758
Inventories (Note 4.e))	53,223,179	44,740,030
Investments (Notes 4.b), 7 and 17.f))	394,899,782	393,382,176
Property and equipment, net (Note 17.a))	166,497,596	160,026,473
Subtotal	621,100,891	598,250,437
Negative goodwill, net	(30,430,822)	(25,869,346)
Total Assets	Ps. 743,412,193	Ps. 646,668,401
LIABILITIES		
Current Liabilities		
Trade accounts payable (Notes 4.f), 7 and 17.f))	Ps. 17,897,922	Ps. 10,840,177
Short-term debt (Notes 4.g), 7 and 17.f))	11,499,782	8,090,261
Salaries and social security payable (Notes 4.h) and 7)	1,748,138	1,475,373
Taxes payable (Notes 4.i) and 7)	20,203,393	2,206,532
Other liabilities (Notes 4.j) and 7)	14,630,905	6,688,993
	65,980,140	29,301,336
Non-Current Liabilities		
Long-term debt (Notes 4.g), 7 and 17.f))	114,693,553	125,880,874
Taxes payable (Notes 4.i) and 7)	39,285,385	26,213,217
Other liabilities (Note 7)	1,000	1,000
Provision for lawsuits and contingencies (Note 7)	104,198	38,327
	154,084,136	152,133,418

Total Liabilities	220,064,276	181,434,754
Minority interest	276,947	65,451
SHAREHOLDERS EQUITY	523,070,970	465,168,196
Total Liabilities and Shareholders Equity	Ps. 743,412,193	Ps. 646,668,401

The accompanying notes are an integral part of these consolidated financial statements.

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Cresud Sociedad Anónima Comercial, Inmobiliaria,

Financiera y Agropecuaria and Subsidiaries

Consolidated Statements of Income

for the years ended June 30, 2005, 2004 and 2003

(In Argentine Pesos, except as otherwise indicated)

	2005	2004	2003
Sales			
Crops	Ps. 30,893,216	Ps. 26,838,376	Ps. 50,167,010
Beef cattle	36,826,885	27,723,604	20,566,175
Milk	3,463,144	3,191,948	2,414,992
Feed lot	2,129,838	7,120,335	4,453,320
Others	4,859,931	4,778,545	1,985,004
Total sales	78,173,014	69,652,808	79,586,501
Cost of sales			
Crops	(21,327,694)	(15,405,391)	(39,425,551)
Beef cattle	(32,819,805)	(21,080,583)	(11,776,035)
Milk	(2,094,975)	(1,307,963)	(1,483,172)
Feed lot	(1,855,279)	(6,185,770)	(4,193,289)
Others	(1,560,860)	(1,123,049)	(1,387,410)
Total cost of sales (Note 17.e))	(59,658,613)	(45,102,756)	(58,265,457)
Gross profit	18,514,401	24,550,052	21,321,044
Selling expenses (Note 17.g)	(6,595,641)	(4,903,065)	(6,018,073)
Administrative expenses (Note 17.g))	(7,271,279)	(5,740,114)	(4,567,092)
Net gain on the sale of farms	19,987,989	1,668,751	4,869,484
Inventory holding gain	11,622,122	2,236,255	12,402,776
Operating income	36,257,592	17,811,879	28,008,139
Financial results, net: (Note 4.k))			
Financial results generated by assets	72,275,349	19,739,830	(51,632,606)
Financial results generated by liabilities	(8,523,963)	(19,758,799)	40,567,383
Total financial results, net	63,751,386	(18,969)	(11,065,223)
Equity gain from related companies	28,087,632	26,669,884	67,706,143
Other (expense) income, net:			
Gain on sale of fixed assets	45,398	277,678	32,734
Donations	(1,900,000)	(706,200)	(2,000,000)
Shareholders personal assets tax and miscellaneous	(3,210,784)	64,761	(124,618)

Total other expenses, net	(5,065,386)	(363,761)	(2,091,884)
Management fee	(8,533,213)	(3,567,003)	(7,224,996)
Income before income tax and minority interest	114,498,011	40,532,030	75,332,179
Income tax expense (Note 12)	(37,787,594)	(8,570,269)	(10,531,263)
Minority interest	88,501	141,261	224,045
Net income for the year	Ps. 76,798,918	Ps. 32,103,022	Ps. 65,024,961
Earnings per share (Notes 3.s) and 13):			
Basic net income per common share	Ps. 0.49	Ps. 0.23	Ps. 0.54
Diluted net income per common share	0.25	0.13	0.19

The accompanying notes are an integral part of these consolidated financial statements.

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Cresud Sociedad Anónima Comercial, Inmobiliaria,

Financiera y Agropecuaria and Subsidiaries

Consolidated Statements of Changes in Shareholders Equity

for the years ended June 30, 2005, 2004 and 2003

(In Argentine Pesos, except as otherwise indicated)

	Shareholders contributions							
Items	**Common stock (Note 5)**	**Treasury stock**	**Inflation adjustment of common stock and treasury stock**	**Paid-in-capital**	**Total**	**Legal reserve**	**(Accumulated deficit) / Retained earnings**	**Total**
Balances as of June 30, 2002	Ps. 120,152,102	Ps. 4,132,290	Ps. 166,218,124	Ps. 89,784,877	Ps. 380,287,393	Ps. 5,833,163	Ps. (63,503,438)	Ps. 322,617,118
Exercise of stock options	3,559,853	(3,559,853)					3,564,008	3,564,008
Conversion of notes into common stock	386,140			206,898	593,038			593,038
Net income for the year.							65,024,961	65,024,961
Balances as of June 30, 2003	Ps. 124,098,095	Ps. 572,437	Ps. 166,218,124	Ps. 89,991,775	Ps. 380,880,431	Ps. 5,833,163	Ps. 5,085,531	Ps. 391,799,125
Exercise of stock options	332,437	(332,437)					332,437	332,437
Conversion of notes into common stock	13,136,577			6,228,397	19,364,974			19,364,974
Exercise of warrants	12,965,710			10,102,928	23,068,638			23,068,638
Appropriation of profits resolved by the shareholders meeting held on October 31, 2003:								

- Legal reserve						254,277	(254,277)	
- Cash dividends (Ps. 0.01 per share)							(1,500,000)	(1,500,000)
Net income for the year							32,103,022	32,103,022
Balances as of June 30, 2004	Ps. 150,532,819	Ps. 240,000	Ps. 166,218,124	Ps. 106,323,100	Ps. 423,314,043	Ps. 6,087,440	Ps. 35,766,713	Ps. 465,168,196
Exercise of stock options	240,000	(240,000)					240,000	240,000
Conversion of notes into common stock	5,918,871			2,938,140	8,857,011			8,857,011
Exercise of warrants	6,092,889			4,826,490	10,919,379			10,919,379
Appropriation of profits resolved by Shareholders´ Meeting held on October 22, 2004								
- Legal reserve						1,605,151	(1,605,151)	
- Cash dividends (Ps. 0.02 per share)							(3,000,000)	(3,000,000)
Changes of interests in equity investees and subsidiaries resulting from capital nature transactions between equity investees and subsidiaries and other shareholders (Note 5)				(35,912,534)	(35,912,534)			(35,912,534)
Net income for the year							76,798,918	76,798,918
Balances as of June 30, 2005	Ps. 162,784,579	Ps.	Ps. 166,218,124	Ps. 78,175,196	Ps. 407,177,899	Ps. 7,692,591	Ps. 108,200,480	Ps. 523,070,970

The accompanying notes are an integral part of these consolidated financial statements.

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Cresud Sociedad Anónima Comercial, Inmobiliaria,

Financiera y Agropecuaria and Subsidiaries

Consolidated Statements of Cash Flows

for the years ended June 30, 2005, 2004 and 2003

(In Argentine Pesos, except as otherwise indicated)

	2005	2004	2003
Cash flows from operating activities:			
Net income for the year	Ps. 76,798,918	Ps. 32,103,022	Ps. 65,024,961
Adjustments to reconcile net income to net cash flows (used in) provided by operating activities:			
Income tax expense	37,787,594	8,570,269	10,531,263
Depreciation	4,169,139	3,567,504	3,316,130
Amortization of intangible assets		369,637	509,416
Minority interest	(88,501)	(141,261)	(224,045)
Equity gain from related companies	(28,087,632)	(26,669,884)	(67,706,143)
Gain on inventory holding	(11,622,122)	(2,236,255)	(12,402,776)
Gain on the sale of farms	(19,987,989)	(1,668,751)	(4,869,484)
Gain on the sale of fixed assets	(45,398)	(277,678)	(32,734)
Accrual for management fees	8,239,263	1,537,173	3,204,773
Accrued expenses and allowance for doubtful accounts	14,743,900	6,634,767	2,474,001
Financial results	(9,594,906)	(10,246,273)	(9,584,429)
Gain from sale of non-current investments	(68,754,172)		
Changes in operating assets and liabilities:			
Decrease in current investments	4,101,258	11,551,129	5,698,056
(Increase) decrease in trade accounts receivable	(4,452,087)	2,411,916	9,558,187
(Increase) decrease in other receivables	(2,805,883)	(13,578,079)	1,007,830
(Increase) decrease in inventory	(8,820,992)	(17,225,042)	19,305,258
Increase (decrease) in trade accounts payable	2,537,610	(3,732,327)	(4,809,530)
Decrease in salaries and social security payable and taxes payable	(6,445,800)	(4,508,493)	(10,537,076)
Increase in interest payable	11,010,444	10,589,741	8,399,579
Dividends collected	1,653,096	1,549,938	1,478,533
(Decrease) increase in other liabilities	(10,436,614)	1,118,196	(7,905,974)
Net cash (used in) provided by operating activities	**(10,100,874)**	**(280,751)**	**12,435,796**
Cash flows from investing activities:			
Net proceeds from sale of fixed assets			736,979
Net proceeds from sale of farms	28,456,272	4,856,094	12,013,619
Collection of secured receivables from sale of farms	1,127,138	1,008,000	2,543,257
Acquisition of farms and other property and equipment	(25,959,614)	(15,189,386)	(31,129,070)
Decrease (increase) in convertible notes	93,528,147	(1,199,671)	(176,627,072)
Increase in investments	(34,417,910)	(14,564,425)	(8,151,722)
Net cash provided by (used in) investing activities	**62,734,033**	**(25,089,388)**	**(200,614,009)**
Cash flows from financing activities:			
Contributions received by subsidiaries from minority shareholders	900,000		

Exercise of warrants	10,919,379	23,068,638	
Cash dividends paid	(3,000,000)	(1,500,000)	
Proceeds from the exercise of stock options and subscription of treasury shares	240,000	332,437	3,564,008
Proceeds from short-term and long-term debt	44,356,365	6,757,677	177,457,104
Payments of short-term debt	(51,724,287)	(10,682,655)	(13,659,222)
Debt issuance costs		(1,305,850)	(1,717,514)
Net cash provided by financing activities	**1,691,457**	**16,670,247**	**165,644,376**
Net increase (decrease) in cash and cash equivalents	54,324,616	(8,699,892)	(22,533,837)
Cash and cash equivalents as of the beginning of the year	13,137,931	21,837,823	44,371,660
Cash and cash equivalents as of year-end	Ps. 67,462,547	Ps. 13,137,931	Ps. 21,837,823

The accompanying notes are an integral part of these consolidated financial statements.

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Cresud Sociedad Anónima Comercial, Inmobiliaria,

Financiera y Agropecuaria and Subsidiaries

Consolidated Statements of Cash Flows

for the years ended June 30, 2005, 2004 and 2003 (continued)

(In Argentine Pesos, except as otherwise indicated)

	2005	2004	2003
Supplemental cash flow information:			
Cash paid during the year for:			
Interest	Ps. 4,679,210	Ps. 10,704,568	Ps. 5,549,410
Income tax	Ps. 980,679	Ps. 1,240,371	Ps. 8,859,039
Non-cash transactions:			
Inventory transferred to property and equipment	Ps. 1,108,210	Ps. 381,790	Ps. 210,551
Conversion of notes into common shares	Ps. 8,857,011	Ps. 19,364,974	Ps. 593,038
Increase in receivables from the sale of farms	Ps. 8,004,677	Ps.	Ps.

The accompanying notes are an integral part of these consolidated financial statements.

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Cresud Sociedad Anónima Comercial, Inmobiliaria,

Financiera y Agropecuaria and Subsidiaries

Notes to the Consolidated Financial Statements (continued)

(In Argentine Pesos, except as otherwise indicated)

1. Description of business

Cresud Sociedad Anónima Comercial, Inmobiliaria, Financiera y Agropecuaria (Cresud and together with its subsidiaries the Company) was incorporated in 1936 as a subsidiary of Credit Foncier, a Belgian company engaged in, among other things, providing rural and urban loans in Argentina and administering real estate holdings foreclosed by Credit Foncier. Credit Foncier was liquidated in 1959, and as part of such liquidation, the shares of Cresud were distributed to Credit Foncier s shareholders. From the 1960s through the end of the 1970s, the business of the Company shifted exclusively to primary agricultural activities. Currently, the Company is involved in various operations and activities including crop production, cattle rising and fattening, milk production, cattle feeding operation and certain forestry activities. The Company is not in the land sales and development business; however, it does from time to time sell properties to profit from real estate appreciation opportunities and which, in the judgment of management, are surplus to the Company s primary operations.

2. Preparation of financial statements

a) Basis of presentation

The consolidated financial statements of the Company have been prepared in accordance with generally accepted accounting principles used in Argentina (Argentine GAAP) and 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). A description of the significant differences between Argentine GAAP and US GAAP as they relate to the Company are set forth in Note 16 to these consolidated financial statements.

As discussed in Notes 2.c) and 3.k), in order to comply with regulations of the CNV, the Company discontinued inflation accounting as from March 1, 2003 as well as recognized deferred income tax assets and liabilities on a non-discounted basis. The application of these CNV regulations represents a departure from generally accepted accounting principles in Argentina. However, such departure has not had a material effect on the accompanying consolidated financial statements.

b) Basis of consolidation

The accompanying consolidated financial statements include the accounts of Cresud and its subsidiaries over which Cresud has effective control or joint control. Investments in companies in which Cresud exercises significant influence, but not control, are accounted for under the equity method.

All significant intercompany balances and transactions have been eliminated in consolidation.

Cresud Sociedad Anónima Comercial, Inmobiliaria,

Financiera y Agropecuaria and Subsidiaries

Notes to the Consolidated Financial Statements (continued)

(In Argentine Pesos, except as otherwise indicated)

2. Preparation of financial statements (continued)

b) Basis of consolidation (continued)

A description of the subsidiaries over which Cresud has or had effective control or joint control, with their respective percentage of capital stock owned, is presented as follows:

	Percentage of capital stock owned as of June 30, (i)		
Subsidiaries	**2005**	**2004**	**2003**
Inversiones Ganaderas S.A.	99. 99%	99. 99%	99. 99%
Futuros y Opciones.Com S.A.	70. 00%	70. 00%	70. 00%
Cactus Argentina S.A. (ii)	50. 00%	50. 00%	50. 00%

(i) Percentage of equity interest owned has been rounded.

(ii) The Company exercises joint control over Cactus Argentina S.A. (Cactus). Effective July 1, 2004 the Company adopted RT No. 21, Equity Method of Accounting, Consolidation of Financial Statements and Related Party Transactions (RT No. 21) which, among other things, introduced certain amendments to prevailing standards on consolidation. As a result of the adoption, the Company started to consolidate on pro-rata basis the accounts of Cactus in its consolidated financial statements. As required by the transition provisions, this standard was retrospectively applied for comparative purposes.

c) Presentation of financial statements in constant Argentine Pesos

On August 22, 1995, the Argentine government issued Decree No. 316/95 discontinuing the requirement that financial information be restated for inflation for any date or period after August 31, 1995. Effective September 1, 1995 in accordance with CNV resolutions and Argentine GAAP, the Company began accounting for its financial transactions on a historical cost basis, without considering the effects of inflation. Prior to September 1, 1995, the financial statements were prepared on the basis of general price level accounting, which reflected changes in purchasing power of the Argentine Peso in the historical financial statements. The financial statement information of periods prior to August 31, 1995 was restated to pesos of general purchasing power as of August 31, 1995. The August 31, 1995 balances, adjusted to the general purchasing power of the Peso at that date, became the historical cost basis for subsequent accounting and reporting.

However, as a result of the inflationary environment in Argentina in 2002, the *Consejo Profesional de Ciencias Económicas de la Ciudad Autónoma de Buenos Aires* (CPCECABA) approved on March 6, 2002, a resolution reinstating the application of inflation accounting in financial statements as from January 1, 2002. This resolution provided that all recorded amounts restated for inflation through August 31, 1995, as well as those arising between that date and December 31, 2001 are to be considered stated in currency as of December 31, 2001.

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Cresud Sociedad Anónima Comercial, Inmobiliaria,

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Notes to the Consolidated Financial Statements (continued)

(In Argentine Pesos, except as otherwise indicated)

2. Preparation of financial statements (continued)

c) Presentation of financial statements in constant Argentine Pesos (continued)

On July 16, 2002, the Argentine government issued a decree, instructing the CNV to issue the necessary regulations for the acceptance of financial statements prepared in constant currency. On July 25, 2002, the CNV reinstated the requirement to submit financial statements in constant currency.

However, after considering inflation levels for the second half of 2002 and the first months of 2003, on March 25, 2003, the Argentine government repealed the provisions of the previous decree related to the inflation adjustment and instructed the CNV to issue the necessary regulations to preclude companies under its supervision from presenting price-level restated financial statements. Therefore, on April 8, 2003, the CNV issued a resolution providing for the discontinuance of inflation accounting as of March 1, 2003. The Company complied with the CNV resolution and accordingly recorded the effects of inflation until February 28, 2003.

Since Argentine GAAP required companies to discontinue inflation accounting as from October 1, 2003, the application of the CNV resolution represents a departure from generally accepted accounting principles in Argentina. However, due to the low level of inflation rates during the period from March to September 2003, such a departure has not had a material effect on the accompanying consolidated financial statements.

d) Reclassifications

Certain reclassifications of prior years information have been made to conform to the current year presentation.

e) Acquisitions

Year ended June 30, 2005

On March 9, 2005 the Company signed a preliminary purchase agreement to acquire 72 hectares located in the district of Luján, Province of Buenos Aires, for a total consideration of Ps. 0.8 million. The closing of the purchase is anticipated to happen on June 1,2006.

On June 24, 2005 the Company acquired El Invierno farm covering 1,946 hectares located in the district of Rancul, Province of La Pampa, for a total purchase price of US$ 3.0 million. The Company paid US$ 1.5 million in cash and will pay the secured by mortgage balance in December 2005.

Year ended June 30, 2003

On April 30, 2003 the Company acquired El Tigre farm, covering 8,360 hectares, in the district of Trenel, Province of La Pampa, for a total consideration of US$ 9.3 million.

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Cresud Sociedad Anónima Comercial, Inmobiliaria,

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Notes to the Consolidated Financial Statements (continued)

(In Argentine Pesos, except as otherwise indicated)

2. Preparation of financial statements (continued)

f) Dispositions

Year ended June 30, 2005

On February 1, 2005, the Company sold Ñacurutú farm, covering 30,350 hectares, located in the Department of General Obligado and Vera, Province of Santa Fe, for a total sales price of US$ 5.6 million, resulting in a gain of Ps. 7.7 million. The Company collected US$ 2.8 million in cash and will collect the balance in two equal installments in August 2005 and February 2006. (See Note 4.d.(i) for details)

On February 24, 2005 the Company signed a preliminary agreement to sell El Gualicho farm, covering 5,727 hectares, located in the Departments of General Roca and Presidente Roque Saenz Peña, Province of Córdoba, for a total consideration of US$ 5.7 million. The Company did not recognized revenue related to this transaction during fiscal year 2005. This sale will generate a profit of approximatelly US$ 3.4 million, once consummated.

On June 8, 2005 the company sold San Enrique farm, covering 977 hectares, located in the Department of General López, Province of Santa Fe, for a total consideration of US$ 5 million, resulting in a gain of Ps. 12.3 million.

Year ended June 30, 2004

On July 29, 2003, the Company sold three properties located in La Paz, Province of Catamarca, covering 5,997 hectares, for a total consideration of US$ 0.4 million, generating a gain of Ps. 0.6 million.

On November 26, 2003 the Company sold El 41 y El 42 farm covering 6,478 hectares, located in the Department of Tapenagá, Province of Chaco, for a total consideration of US$ 1.0 million, resulting in a gain of Ps. 1.1 million.

Year ended June 30, 2003

On April 21, 2003 the Company sold San Luis farm, covering 706 hectares, located in Junín, in the Province of Buenos Aires, for a total consideration of US$ 2.2 million, resulting in a gain of approximately Ps. 0.6 million.

On April 30, 2003 the Company sold Los Maizales farm, covering 618 hectares, in the Villa Cañás district, in the Province of Santa Fe, for a total amount of US$ 1.8 million, recording a gain of Ps. 4.3 million.

Cresud Sociedad Anónima Comercial, Inmobiliaria,

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Notes to the Consolidated Financial Statements (continued)

(In Argentine Pesos, except as otherwise indicated)

2. Preparation of financial statements (continued)

g) Use of estimates

The preparation of the consolidated financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting periods. Significant estimates include but is not limited to those required in the accounting for the conversion of IRSA convertible notes, the allowance to doubtful accounts, the depreciation, amortization and impairment of long-lived assets, the provision for contingencies and income taxes. Actual results could differ from those estimates.

3. Significant accounting policies

On February 19, 2003, the CPCECABA approved RT N° 21, which was adopted by the Company on July 1, 2004(see Note 2.b for details of the adoption). On January 12, 2005 the CPCECABA approved RT No. 22 Agricultural Activities which establishes specific standards related to the Company s business. At the date of issuance of these consolidated financial statements, the CNV has not approved this standard, which is effective as from July 1, 2005.

The following is a summary of significant accounting policies followed by the Company in the preparation of these consolidated financial statements:

a) Revenue recognition

The Company primarily derives its revenues from the sale of crops, milk and live beef cattle, cattle feeding operation, and to a lesser extent, from the sale of charcoal and fence posts and leases. Revenue is recognized on sales of products when the customer receives title to the goods, generally upon delivery. Revenue from the cattle feeding operation, primarily comprised of feeding, animal health and yardage, is recognized as services are performed.

The Company is not in the land sales and development business; however, it does from time to time sell properties to profit from real estate appreciation opportunities and which, in the judgment of management, are surplus to the Company s primary operations. Farmland sales are recorded under the accrual method of accounting. Farmland sales are not recognized until (i) the sale is consummated, (ii) the Company has determined that the buyer s initial and continuing investments are adequate to demonstrate a commitment to pay for the property, (iii) the Company s receivable is not subject to future subordination, and (iv) the Company has transferred to the buyer the risk of ownership, and does not have a continuing involvement in the property.

b) Cash and cash equivalents

The Company considers all highly liquid investments with original maturities of three months or less, to be cash equivalents.

Cresud Sociedad Anónima Comercial, Inmobiliaria,

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Notes to the Consolidated Financial Statements (continued)

(In Argentine Pesos, except as otherwise indicated)

3. Significant accounting policies (continued)

c) Trade accounts receivable and payable

Trade accounts receivable and payable are stated at their cash price estimated at the time of the transaction, plus interest and implied financial components accrued on the basis of the internal rate of return determined at such time, provided if they are significant. The Company provides for losses relating to trade accounts receivable. The allowance for losses is based on management s evaluation of various factors, including the credit risk of customers, historical trends and other information. While management uses the information available to make evaluations, future adjustments to the allowance may be necessary if future economic conditions differ substantially from the assumptions used in making the evaluations. Management has considered all events and/or transactions that are subject to reasonable and normal methods of estimation, and the consolidated financial statements reflect that consideration.

d) Financial receivables and payables

Financial receivables and payables have been valued at the amount deposited or collected, respectively, net of transaction costs, plus accrued interest based on the interest rate estimated at the time of the transaction.

e) Investments

Current

Current investments include mutual funds, mortgage bonds, government bonds and deposits in foreign banks. Mutual funds, mortgage bonds and government bonds are carried at their market value as of year-end, with unrealized gains and losses reported in earnings. Unrealized gains and losses on these investments are calculated using the specific-identification method. Deposits in foreign banks are valued at cost plus accrued interests at year-end. Current investments also include the interests on IRSA Convertible Notes.

Investments in affiliates

Investments in affiliates in which the Company has significant influence (generally representing an equity interest between 20% and 50%) have been accounted for under the equity method. Management periodically evaluates the carrying value of its equity investments for impairment. The carrying value of equity investments is considered impaired when an other-than-temporary decrease in the value of the investments has occurred.

The Company records changes of interests in equity investees and/or subsidiaries, resulting from capital nature transactions between the equity investees and/or subsidiaries and other shareholders, to paid-in capital within shareholders equity.

Investment in IRSA Convertible Notes

The Company s investment in IRSA Convertible Notes is carried at amortized cost at year-end.

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Cresud Sociedad Anónima Comercial, Inmobiliaria,

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Notes to the Consolidated Financial Statements (continued)

(In Argentine Pesos, except as otherwise indicated)

3. Significant accounting policies (continued)

f) Negative goodwill, net

Negative goodwill, net includes (a) the excess of cost over the fair value of net identifiable assets acquired related to the acquisitions of certain subsidiaries (Goodwill) and (b) the excess of the fair value of the net identifiable assets acquired over the consideration paid for the acquisition of additional ownership interest in IRSA (Negative goodwill). Goodwill and negative goodwill are stated at cost (adjusted for inflation as described in Note 2.c)) less accumulated amortization. Goodwill is being amortized under the straight-line method over 5 years. Amortization of negative goodwill is calculated on a straight-line basis over the weighted-average remaining useful lives of the assets acquired, calculated as 20 years. As required by new accounting standards, goodwill and negative goodwill are shown in a separate caption in the accompanying consolidated balance sheets. As of June 30, 2005 goodwill has been fully amortized.

g) Inventories

Livestock for raising and fattening are stated at their net realizable value. Livestock for dairy production and other purposes, which is not going to be sold within the next twelve months, is stated at its replacement cost as determined by agricultural appraisers. Inventory holding gains are segregated in a separate line to determine operating income.

Inventories of harvested crops are stated at current sales price less cost of disposal. Unharvested crop-growing costs are included as part of inventory and represent costs incurred to plant and maintain seed crops which will be harvested during the subsequent fiscal year. Inventories are periodically reviewed and reserves established for deteriorated, excess and obsolete items.

h) Property and equipment

Property and equipment are stated at cost (adjusted for the inflation as described in Note 2.c)), less accumulated depreciation.

Depreciation expense has been determined using the straight-line method over the estimated useful lives of the related assets as specified below:

Asset	Estimated useful life (years)
Buildings and constructions	50
Alfalfa fields and meadow	Between 2 and 8
Vehicles	5
Machinery	10
Furniture and equipment	10
Others	Between 4 and 10

The cost of maintenance and repairs is expensed as incurred. The cost of significant renewals and improvements is added to the carrying amount of the respective asset.

When assets are retired or otherwise disposed of, the cost and related accumulated depreciation are removed from the accounts, and any resulting gain or loss is reflected in the statement of income.

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Cresud Sociedad Anónima Comercial, Inmobiliaria,

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Notes to the Consolidated Financial Statements (continued)

(In Argentine Pesos, except as otherwise indicated)

3. Significant accounting policies (continued)

i) Intangible assets

(i) Web site development costs

In the past, the Company capitalized certain costs incurred in the development of the Company s web site. Such costs were amortized under the straight-line method over a period of 3 years. As of June 30, 2004 web site development costs had been fully amortized.

(ii) Other intangible assets

Other intangible assets were stated at cost (adjusted for inflation as described in Note 2.c)), and were amortized over 3 years on a straight-line basis. As of June 30, 2004 these intangible assets had been fully amortized.

j) Foreign currency assets and liabilities

Assets and liabilities denominated in foreign currencies are translated at the prevailing exchange rates as of year-end. Transactions denominated in foreign currencies are translated into pesos at the prevailing exchange rates on the date of transaction settlement. Foreign currency transaction gains and losses are recorded within Financial results, net in the accompanying consolidated statements of income.

k) Income tax provision

The subsidiaries of the Company calculate their income taxes on a separate basis. The Company did not either calculate or pay income taxes on a consolidated basis for any of the periods presented. The statutory income tax rate was 35% for all years presented.

The Company records income taxes using the liability method. Accordingly, deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax basis. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recorded or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment date. A valuation allowance is recognized for that component of net deferred tax assets which is not recoverable.

The Company has treated the differences between the price-level restated amounts of assets and liabilities and their historical basis as permanent differences for deferred income tax calculation purposes in accordance with Resolution MD No.11/2003 issued by the CPCECABA.

In accordance with CNV regulations, deferred tax assets and liabilities have not been discounted. Since Argentine GAAP requires the accounting for deferred tax assets and liabilities on a discounted basis, the application of the CNV resolution represents a departure from generally accepted accounting principles in Argentina. However, such a departure has not had a material effect on the accompanying consolidated financial statements.

Cresud Sociedad Anónima Comercial, Inmobiliaria,

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Notes to the Consolidated Financial Statements (continued)

(In Argentine Pesos, except as otherwise indicated)

3. Significant accounting policies (continued)

l) Asset tax provision

The Company is subject to the asset tax. Pursuant to this tax regime, the Company is required to pay the greater of the income tax or the asset tax. Any excess of the asset tax over the income tax may be carried forward and recognized as a tax credit against future income taxes payable over a 10-year period. The asset tax provision is calculated on an individual entity basis at the statutory asset tax rate of 1% and is based upon the taxable assets of each company as of the end of the year, as defined by Argentine law.

m) Provisions for contingencies

The Company has certain contingent liabilities with respect to material existing or potential claims, lawsuits and other proceedings arising in the ordinary course of business. The Company accrues liabilities when it is probable that future costs will be incurred and such costs can be reasonably estimated. Such accruals are based on developments to date, the Company s estimates of the outcomes of these matters and its experience in contesting, litigating and settling other matters. As the scope of the liabilities becomes better defined, there will be changes in the estimates of future costs, which could have a material effect on the Company s future results of operations and financial condition or liquidity.

n) Pension information

The Company does not maintain any pension plans. Argentine laws provide for pension benefits to be paid to retired employees from government pension plans and/or private fund managed plans to which employees may elect to contribute.

o) Impairment of long-lived assets

The Company periodically evaluates the carrying value of its long-lived assets for impairment when events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. The carrying value of a long-lived asset is considered impaired by the Company when the expected cash flows, undiscounted and without interest, from such asset is separately identifiable and less than its carrying value. In that event, a loss would be recognized based on the amount by which the carrying value exceeds the fair market value of the long-lived asset. Fair market value is determined primarily using independent appraisals or based on the anticipated cash flows discounted at a rate commensurate with the risk involved.

RT 17 establishes that a previously recognized impairment loss should only be reversed when there is a subsequent change in estimates used to compute the fair market value of the asset. In that event, the new carrying amount of the asset should be the lower of its fair market value or the net carrying amount the asset would have had if no impairment had been recognized.

p) Vacation expenses

Vacation expenses are fully accrued in the year the employee renders services to earn such vacation.

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Cresud Sociedad Anónima Comercial, Inmobiliaria,

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Notes to the Consolidated Financial Statements (continued)

(In Argentine Pesos, except as otherwise indicated)

3. Significant accounting policies (continued)

q) Commodity contracts

The Company utilizes a variety of commodity-based derivative instruments, as hedges to manage its exposure to price volatility stemming from its integrated crop production activities. These instruments consist mainly of crop futures contracts and put and call option contracts designed to reduce exposure to changes in market prices. Realized gains and losses associated with these contracts are recorded in cost of products sold at the fair market value.

The Company also engages in trading of certain financial instruments. These instruments consist mainly of future contracts to purchase metals. Gains and losses associated with these instruments are recorded within Financial results, net in the accompanying consolidated financial statements.

Deposits and premiums paid are recorded as other receivables in the consolidated balance sheets. For details in the Company s derivate instruments activity, see Note 6.

r) Advertising expenses

The Company expenses advertising costs as incurred. Advertising expenses for the years ended June 30, 2005, 2004 and 2003 were Ps. 0.07 million, Ps. 0.06 million and Ps. 0.03 million, respectively.

s) Earnings per share

The Company is required to disclose earnings per share information for all periods presented. Basic earnings per share (basic EPS) are computed by dividing the net income available to common shareholders for the period by the weighted-average number of common shares outstanding during the period. Diluted earnings per share (diluted EPS) are computed by dividing the adjusted net income for the period by the weighted-average number of common shares and potential common shares outstanding during the period.

In computing diluted EPS, income available to common shareholders used in the basic EPS calculation is adjusted to add back the after-tax amount of interest recognized in the period with respect to any debt convertible to common stock. Additional adjustments are made for any other income or loss items that would result from the assumed conversion of potential common shares. The weighted-average number of common shares outstanding is adjusted to include the number of additional common shares that would have been outstanding if the dilutive potential common shares had been issued. Diluted EPS is based on the most advantageous conversion rate or exercise price over the entire term of the instrument from the standpoint of the security holder. The calculation of diluted EPS excludes potential common shares if their effect is anti-dilutive. The Company has considered the dilutive effect of outstanding stock options, warrants and convertible debt in calculating diluted EPS.

Cresud Sociedad Anónima Comercial, Inmobiliaria,

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Notes to the Consolidated Financial Statements (continued)

(In Argentine Pesos, except as otherwise indicated)

4. Details of balance sheet and income statement accounts:

a) Cash and banks

	As of June 30,	
	2005	**2004**
Cash in banks	Ps. 13,963,589	Ps. 12,143,621
Collections to be deposited	395,994	473,355
Cash	108,629	132,188
	Ps. 14,468,212	Ps. 12,749,164

b) Investments

	As of June 30,	
	2005	**2004**
Current		
Mutual funds	Ps. 52,491,539	Ps. 61,203
Government bonds	4,198,685	97,726
Mortgage bonds	1,706,662	
Interest of IRSA Convertible Notes	1,078,320	1,388,504
Deposits in foreign banks	502,796	327,564
	Ps. 59,978,002	Ps. 1,874,997
Non-Current		
Equity investments (i)	Ps. 289,391,269	Ps. 260,419,568
IRSA Convertible Notes (ii)	105,487,796	132,941,891
Others	20,717	20,717

	Ps. 394,899,782	Ps. 393,382,176

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Cresud Sociedad Anónima Comercial, Inmobiliaria,

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Notes to the Consolidated Financial Statements (continued)

(In Argentine Pesos, except as otherwise indicated)

4. Details of balance sheet and income statement accounts (continued)

b) Investments (continued)

(i) As of June 30, 2005, the Company had a 35.7% and 21.8% equity interest in Agro-Uranga S.A. and IRSA Inversiones y Representaciones Sociedad Anónima (IRSA) amounting to Ps. 16,531,826 and Ps. 272,859,443, respectively. During the year ended June 30, 2005 the Company exercised warrants acquiring common shares and also acquired additional shares for a total consideration of Ps. 34.4 million. The Company applied the purchase method in accounting for this acquisition of additional ownership, resulting in the recognition of a negative goodwill of Ps. 4.5 million net of amortization. Negative goodwill associated with the Company s investment in IRSA amounted to Ps. 30.4 million as of June 30, 2005. As a result of the dilutive effect of warrants and conversion rights exercised by other shareholders during fiscal year 2005, the Company s interest in IRSA decreased by 3.6%. The Company recorded the loss effect associated with the decrease in the carrying value of the investment in IRSA (including associated negative goodwill) amounting to Ps. 36.5 million as paid-in capital within shareholders equity.

(ii) In November 2002, IRSA issued US$ 100 million of 8% convertible notes due 2007 with non-detachable warrants to acquired additional shares of common stock (IRSA Convertible Notes). In accordance with the terms and conditions of the agreement, IRSA Convertible Notes are convertible, at any time, at the option of the holder, into a fixed number of common shares. The agreement provides for a conversion price of US$ 0.54505, which only can be adjusted as a result of anti-dilution provisions. Once converted, the holder has the right to acquire an additional equal number of shares at the exercise price of US$ 0.65406 per share. The exercise price of the warrants is also adjusted as a result of anti-dilution provisions. During November and December 2002, the Company subscribed US$ 49,692,668 of IRSA Convertible Notes. In addition, during fiscal years 2004 and 2005, the Company acquired from third parties US$ 250,500 and US$ 350,000 of IRSA Convertible Notes, respectively. During fiscal year 2004 the Company had exercised its conversion rights of US$ 5,000,000 of IRSA Convertible Notes. During fiscal year 2005, the Company sold US$ 8,754,271 of IRSA Convertible Notes for a total consideration of US$ 32.5 million (Ps. 93.5 million), resulting in a gain of Ps. 68.8 million. The gain from the sale of IRSA Convertible Notes has been included within Financial results, net in the accompanying consolidated statement of income.

c) Trade accounts receivable, net

	As of June 30,	
	2005	**2004**
Trade accounts receivable	Ps. 9,781,175	Ps. 5,583,457
Related parties (Note 8)	393,481	183,468
Less:		
Allowance for doubtful accounts (Note 17.d))	(386,344)	(412,067)

	Ps. 9,788,312	Ps. 5,354,858

Cresud Sociedad Anónima Comercial, Inmobiliaria,

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Notes to the Consolidated Financial Statements (continued)

(In Argentine Pesos, except as otherwise indicated)

4. Details of balance sheet and income statement accounts (continued)

d) Other receivables

	As of June 30,	
	2005	**2004**
Current		
Receivables from the sale of farms (i)	Ps. 8,217,166	Ps. 1,033,997
Prepaid leases	6,512,492	4,465,136
Guarantee deposits	2,314,696	2,307,893
Prepaid expenses, excluding leases	2,125,903	897,192
Prepaid taxes (net of accruals)	1,945,005	3,518,691
Margin deposits receivable from brokers	416,792	146,483
Premiums collected / paid in connection with derivate instruments	(56,456)	(265,378)
Related parties (Note 8)	242,679	750,944
Asset tax credit (ii)	54,872	4,182,758
Others	440,809	1,828,690
	Ps. 22,213,958	Ps. 18,866,406
Non-Current		
Value added tax credit	Ps. 6,328,177	Ps.
Prepaid leases	75,915	
Asset tax credit (ii)	60,818	56,450
Deferred income taxes (Note 12)	14,874	40,193
Others	550	5,115
	Ps. 6,480,334	Ps. 101,758

(i) At June 30, 2004, receivables from the sale of farms included US$ 0.3 million related to the balance of the financing granted by the Company in connection with the sale of Tourné farm. This balance accrued interest at an annual fixed rate of 8% and was collected during fiscal year 2005. At June 30, 2005, receivables from the sale of farms relate to the financing granted by the Company in connection with the sale of Ñacurutú farm totaling US$ 2.8 million. This balance accrues interest at a fixed interest rate of 7% and will be collected in two equal installments in August 2005 and February 2006. As guarantee for the payment, the purchaser signed a mortgage on the acquired property in favor of the Company.

(ii) The Company recorded the asset tax as a tax receivable since in the opinion of its management it is more likely than not that the Company will utilize such credits against future income tax charges.

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Notes to the Consolidated Financial Statements (continued)

(In Argentine Pesos, except as otherwise indicated)

4. Details of balance sheet and income statement accounts (continued)

e) Inventories

	As of June 30,	
	2005	2004
Current		
Crops	Ps. 24,930,778	Ps. 8,639,910
Livestock	15,157,171	18,829,580
Materials and others	4,613,485	4,686,649
Unharvested crops	826,336	1,603,897
Advances to suppliers	446,701	1,440,333
Seeds and fodder	319,169	241,516
	Ps. 46,293,640	Ps. 35,441,885
Non-Current		
Livestock	Ps. 53,223,179	Ps. 44,740,030
	Ps. 53,223,179	Ps. 44,740,030

f) Trade accounts payable

	As of June 30,	
	2005	2004
Suppliers	Ps. 10,580,146	Ps. 5,879,842
Accruals	5,125,813	2,571,651
Related parties (Note 8)	2,191,963	2,388,684
	Ps. 17,897,922	Ps. 10,840,177

g) Short-term and long-term debt

	As of June 30,	
	2005	2004
Short-term debt:		
Local financial loans (i)	Ps. 10,315,556	Ps. 6,757,677
Accrued interest on Convertible Notes (ii)	1,184,226	1,332,584
	Ps. 11,499,782	Ps. 8,090,261
Long-term debt:		
Convertible Notes (ii)	Ps. 115,848,220	Ps. 127,587,867
Deferred financing costs	(1,154,667)	(1,706,993)
	Ps. 114,693,553	Ps. 125,880,874

(i) At June 30, 2005 the balance relates to a short-term loan granted by Banco de la Nación Argentina for Ps. 10 million. This loan accrues interest at a fixed interest rate of 8% and matures on August 2005. Accrued interest amounts to Ps. 0.3 million at June 30, 2005. At June 30, 2004 the balance represented bank overdrafts.

(ii) See Note 10 for details.

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Notes to the Consolidated Financial Statements (continued)

(In Argentine Pesos, except as otherwise indicated)

4. Details of balance sheet and income statement accounts (continued)

h) Salaries and social security payable

	As of June 30,	
	2005	**2004**
Provision for vacation and bonuses	Ps. 1,423,925	Ps. 1,070,155
Social security payable	232,099	198,550
Salaries payable	81,488	192,632
Others	10,626	14,036
	Ps. 1,748,138	Ps. 1,475,373

i) Taxes payable

	As of June 30,	
	2005	**2004**
Current		
Income tax payable, net	Ps. 19,623,507	Ps. 1,839,906
Gross sales tax payable	215,145	91,306
Income tax withholdings	165,166	188,125
Property tax payable	86,960	103,284
Asset tax payable, net	70,508	24,135
Value added tax payable		17,962
Sales tax withholdings		(80,728)
Value added tax withholdings	41,215	18,932
Others	892	3,610
	Ps. 20,203,393	Ps. 2,206,532
Non-Current		

Deferred income taxes (Note 12)	39,285,385	26,213,217
	Ps. 39,285,385	Ps. 26,213,217

j) Other liabilities

	As of June 30,	
	2005	**2004**
Current		
Management fee payable (Note 8)	Ps. 8,239,263	Ps. 1,537,173
Security transactions payable	4,180,593	
Advance from customers	2,055,200	4,432,500
Related parties	135,464	684,373
Others	20,385	34,947
	Ps. 14,630,905	Ps. 6,688,993

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Notes to the Consolidated Financial Statements (continued)

(In Argentine Pesos, except as otherwise indicated)

4. Details of balance sheet and income statement accounts (continued)

k) Financial results, net

	As of June 30,		
	2005	2004	2003
Generated by assets:			
Exchange (loss) gain and discounts	Ps. (6,165,232)	Ps. 9,628,925	Ps. (54,224,852)
Interest income	551,398	235,798	766,747
Allowance for doubtful accounts	(12,809)	65,258	(64,469)
CER on receivable balances		(303,646)	503,582
Tax on bank account operations	(1,592,008)	(1,414,030)	(1,042,292)
Loss on exposure to inflation			(4,817,838)
Gain from sale of IRSA Convertible Notes	68,754,172		
Interest income on IRSA Convertible Notes	9,965,370	11,517,318	7,080,857
Others	774,458	10,207	165,659
	Ps. 72,275,349	Ps. 19,739,830	Ps. (51,632,606)
Generated by liabilities:			
Interest expense on Convertible Notes	Ps. (9,609,672)	Ps. (10,589,742)	(6,965,029)
CER on liabilities	(7,875)	(19,503)	(560,311)
Gain on exposure to inflation			6,125,501
Exchange gain (loss) and discounts	3,137,609	(8,041,474)	43,154,438
Others			